FINANCIAL TIMES

No. 30,002 Saturday August 9 1986

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WORLD NEWS

Soccer fans riot on N Sea ferry

Five people were injured, three with stab wounds, and 15 were arrested when British football fans rioted on a North Sea ferry.

About 100 supporters from London, Manchester and Liverpool, travelling to friendly matches in the Netherlands and Hamburg, fought with knives, bottles and fire hoses on the Koningin Beatrix, sailing from Harwich for the Hook of Holland.

Hundreds of passengers hid in cabins and the captain turned the ship back to Harwich, where it was met by police.

The Football Association fears the incident will set back Britain's hopes of re-entering European competition after the ban which followed the 1985 Brussels European Cup disaster.

Checkup for Reagan

President Reagan will undergo a urological test this weekend, unrelated to his cancer, the White House said. In London, Mrs Thatcher left hospital after an operation on her hand.

Car bomb kills 20

A car bomb explosion in a crowded shopping area in Moslem West Beirut killed at least 20 people and injured about 50. Page 2

Japan to boost defence

Japan's Government plans to increase its defence forces, perhaps breaching the policy restricting military spending. The change will upset some of the country's neighbours. Back Page

Congress arms move

The US Congress is stepping up pressure on the Reagan administration to move on old and new arms control agreements. Page 2

Craxi wins vote

The new government of Italian Socialist Premier Bettino Craxi won a parliamentary confidence vote by 352 to 227, ending the political crisis.

Big US cocaine haul

Twelve people were charged in Pennsylvania with smuggling 1½ tonnes of cocaine from Colombia, after the biggest cocaine haul in US history.

Urban aid reform

The Government is reforming its urban aid programme to concentrate resources in areas where they can have the biggest impact. Page 4

Aquino wins support

Philippines President Corazon Aquino's position became firmer when supporters of deposed President Marcos who took part in a failed coup gave her their backing. Page 2

Brezhnev Jr out

Yuri Brezhnev, son of the late Soviet President Leonid Brezhnev, lost his job as deputy foreign trade minister.

Olympics express

A train travelled from London to Birmingham in a record 67½ minutes—at 94 mph—as part of Birmingham's campaign to host the 1992 Olympics.

NZ 211 for 5

New Zealand were 211 for five (Wright 58, Hadlee 55 no) in reply to England's 256 (Hadlee 6 for 80) after two days of the second test at Trent Bridge.

Long-running dispute

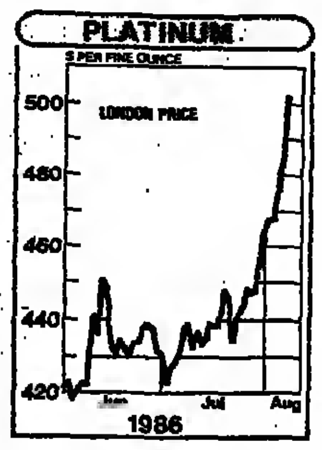
South Korean Kee Chung Sohn is to receive a 2,000-year-old Greek warrior's helmet which he won as a prize for coming first in the 1936 Berlin Olympics marathon. The handover was delayed by a dispute about whether it would infringe his amateur status.

BUSINESS SUMMARY

Platinum and gold show sharp rise

THE price of platinum rose above $500 an ounce in London for the first time since early 1981, closing at $502.25 and giving a rise of $38 on the week.

The advance was fuelled by market speculation that South Africa, which has 85 per cent



of the West's platinum deposits, might impose curbs on exports.

The active buying spilled over into bullion and the gold price leapt $7.375 to top $370 an ounce for the first time since January before closing at $369.875. Metals review, Page 11

MATSUSHITA, Japanese electrical consumer group, is to build a £6m electronic typewriter plant in Newport, Gwent. Back Page

TAKEOVER activity among UK companies reached a record £6.38bn in the second quarter, largely because of the acquisitions of Imperial and Distillers by Hanson Trust and Guinness respectively. Page 4

STOCK EXCHANGE says that brokers dealing in small companies' shares on the new Third Market would have to give a risk warning to investors. Back Page

HORNBY, train set maker which was in the hands of the receiver five years ago, intends to join the Unlisted Securities Market. A flotation would capitalise the company at nearly £15m. Back Page

KENYA'S President Daniel Arap Moi sacked a Cabinet member in disapproval of banking malpractices which have shaken the financial sector. Page 2

JAPAN is considering a 3.8 per cent cut in the price of domestically produced rice which would be the first reduction for 30 years. Page 3

PROCTER & Gamble, US detergent and pharmaceutical products concern, completed a year of recovery with net earnings 11.6 per cent up at $709m (£480.2m). Page 9

VOSPER Thorneycroft has lost a £300m order for three frigates from Pakistan. The company said this would cause job losses at its Woolston, Hants, warship yard.

BRITISH AEROSPACE'S fighter aircraft, the EAP, had its maiden flight. It is the first fighter to be built in Britain for 32 years. Page 4

IG INDEX, one of three companies comprising Britain's financial bookmaking industry, is to buy its rival Ladbroke Index. Page 4

PEAT Marwick Mitchell moved to the top of the table of receivership appointments for accountancy firms in the first half of 1986. Page 4

GLAXO is to sell its Evans Medical offshoot to a management buy-out team for £27m in a further move to restrict itself to prescription drug business. Page 8

HOUSE of Fraser, department stores group acquired last year by the Al-Fayed family, has been forced by shareholder Lonrho to delay plans for buying in its outstanding preference shares. Report and results, Page 8

Cornish tin industry saved by £25m Government aid

BY STEFAN WAGSTYL

THE GOVERNMENT yesterday saved the Cornish tin industry from collapse by advancing a £25m aid package to the county's two surviving mines.

Rio Tinto-Zinc, the multinational natural resources group which owns the Wheal Jane and South Crofty mines, is to receive £15m in interest-free loans and £10m in government guarantees on commercial loans to help fund a £31m cost-cutting modernisation programme.

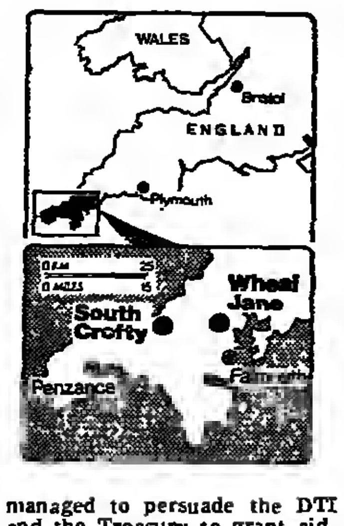
Mr Paul Channon, Secretary for Trade and Industry, said 640 jobs at the mines would be secured, and several hundred more at supplier companies.

There were excellent prospects of securing the tin industry for the foreseeable future, he said. "This is extremely good news for Cornwall."

The outlook for the Cornish tin industry has been uncertain since the £900m default last October of the International Tin Council, which ran an intergovernment price support pact, and the subsequent collapse in prices from over £8,500 a tonne to just under £3,700 yesterday.

Geevor Tin Mines was forced to halt production in early April with the loss of most of its 370 jobs when it failed to win government aid.

However, RTZ, after closing Pendarves, a small satellite mine, and shedding more than 300 jobs through voluntary redundancies to reduce costs, has



managed to persuade the DTI and the Treasury to grant aid. RTZ had planned to shut down its other two mines next week if the government had rejected its appeal.

Mrs Thatcher's government has repeatedly set itself against bailing out lame-duck industries, but Mr Channon said ministers had been unanimous in agreeing to grant aid because of the "exceptional circumstances" in the case. These included the high level of unemployment in Cornwall, the wish to preserve an industry which had existed for hundreds of years, and the difficulties caused by the ITC collapse. The main reason for granting the aid was the projects viability.

Mr Brian Calver, managing director of Carnon Consolidated, RTZ's tin mining subsidiary, said: "We will be celebrating in the pubs tonight."

Mr Jeff Parsons, works convenor at Wheal Jane, said: "It's been a long campaign we've fought and we're tremendously relieved that the uncertainty is over."

Mr David Penhaligon, Liberal MP for Truro, said: "This is a remarkable moment. This is the first time this government has given a farthing to saving anything but a bank since 1979."

The modernisation scheme is expected to take five years, after which production in the mines is planned to rise from some 5,000 tonnes a year now to about 6,000 tonnes, with the number of jobs rising to 800.

The project has been evaluated on the assumption that the mine's production costs will be cut from £6,400 a tonne to about £5,100-£5,300, and that the tin price will average £4,500 a tonne for the next three years and will rise to perhaps £6,000 in ten years. In addition to funding a share of the £31m capital programme, RTZ will continue to meet the mine's operating losses which are now running at some £10m a year, but should fall if the assumptions about a price recovery prove correct.

Mugabe says he will impose full sanctions

BY TONY HAWKINS IN HARARE

ZIMBABWE WILL impose full Commonwealth economic sanctions against South Africa, including severing air links, and may block profit and dividend remittances as well, Mr Robert Mugabe, the Prime Minister, said yesterday.

On his return to Harare from the mini-summit in London of Commonwealth leaders, the Zimbabwean leader said the full sanctions package would be implemented before the end of the year, probably in the final quarter.

He said severing of air links would extend to banning overflying of Zimbabwean territory by any international airline serving South Africa.

Mr Mugabe was sharply critical of Mrs Thatcher's stance on the sanctions issue. He said her Government was "racist" and motivated only by economic self-interest.

His Government was assessing the impact of the border measures imposed by Pretoria earlier this week. These have resulted in serious delays to traffic.

An estimated 90 per cent of Zimbabwe's imports and exports use the South African railway system.

Pretoria, he said, had acted against both Zambia and Zimbabwe to show that "we are weak states." Zimbabwe would not be cowed. "We may suffer for a while, but Zambia and Zimbabwe will not die.

"When an economic war has been declared against you, you must fight back."

Noting that South Africa earned substantial revenue from its freight traffic through Zimbabwe and from remittances from Zimbabwe of profits, interest, dividends and pensions, Mr Mugabe threatened to stop such payments, though he did not specify which particular payments he meant.

Official Zimbabwean figures show that in 1984 payments to South Africa totalled almost US$100m (£68m) of which about half were freight and insurance payments, a further $11m were profits and dividends, and $37m in pensions to ex-Zimbabweans resident in South Africa.

Inflows from South Africa were much lower at only $14m, suggesting that a ban on remittances would save Zimbabwe about $85m annually in foreign exchange.

Observers in Harare doubt whether Zimbabwe would ban pension payments, though a year ago Mr Bernard Chidzero, the Finance Minister, said these payments gave Zimbabwe a degree of "leverage."

Zimbabwe will suffer substantially from the air link ban, because the South Africa flights are by far the most lucrative that Air Zimbabwe operates. In the recent budget Air Zimbabwe was given a subsidy of some $27m to cover operational losses.

Britain is reported to have warned Harare that if it bans British Airways flights through Zimbabwe to South Africa the

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Kwandebele independence in doubt and other S. Africa news, Page 2

WEEKEND FT

EDINBURGH

The Festival is in its 40th year. But the question is being asked: does the city deserve the festival?
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An analysis of the new unit trust rules announced this week.
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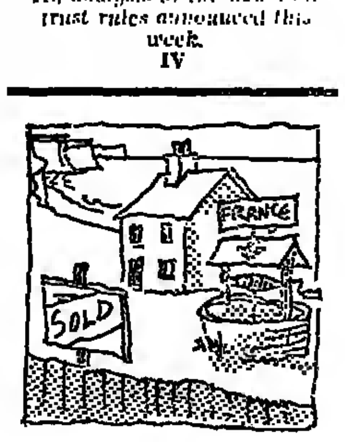

CHUNNEL

If it ever goes ahead, property prices in Kent will rise even faster than at present.
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TRAVEL

Tired of the Dordogne? Then head south for Cahors.
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Guinness to explain board changes to shareholders

BY LIONEL BARBER

GUINNESS, the UK drinks and leisure group, is expected to issue a shareholders' circular on proposed board changes next week in an effort to defuse political and financial controversy surrounding the company.

The letter is the product of four weeks' sensitive discussions with financial institutions. The City's regulatory authorities and the Department of Trade and Industry have been keeping a close watch on events.

Guinness has come under considerable pressure to explain why it scrapped plans for a new group supervisory board, to be chaired by Sir Thomas Risk, Governor of the Bank of Scotland, after the successful £2.5bn takeover of Distillers, the international drinks business. The plans were contained in a class one circular and an offer document sent to Distillers shareholders on March 4.

Next week's circular is likely to name two or three non-executive directors to replace Sir Thomas. Mr Charles Fraser, an Edinburgh lawyer, and probably Sir Nigel Broackes, chairman of Trafalgar House. All three were invited to join the original supervisory board which has been scrapped in favour of a fully-merged Guinness-Distillers group board to be chaired by Mr Ernest Saunders, chief executive of Guinness.

It is not clear whether Guinness's attempt to explain its controversial plans in the circular will take the sting out of institutional and political criticism of the company.

Several leading institutions believe the Guinness affair has wider ramifications than the consideration of shareholders' interests. They have argued in recent weeks that it raises important questions of City ethics and self-regulation, a sensitive subject in the light of Big Bang. M&G, the fund management group, has taken the lead in this respect.

Other institutions have privately doubted the wisdom of allowing Mr Saunders to be both group chairman and chief executive. Some are understood to want him to step down as chairman, though others take a more relaxed view, seeing him as the essential driving force in the new group.

A more sensitive area concerns promises made by Mr Saunders and his fellow directors on the future group board structure during the Distillers battle. According to several parties involved, there was never a full discussion involving the Guinness, Distillers and proposed non-executive directors about how the supervisory board would operate.

Sir Thomas held only one meeting with Mr Saunders specifically to discuss the working of the board. This was in Washington, US, several weeks after Guinness took control of Distillers last April. Guinness spokesmen have said several meetings between Sir Thomas and Mr Saunders took place, but they have refused to comment on the content.

The Department of Trade refused to be drawn on its role in the affair. However, Mr Michael Howard, minister responsible for City affairs, recently held a meeting with Mr Saunders. He is under pressure from the Scottish Office to ensure that Guinness keeps its pledge to register the new Guinness-Distillers group in Scotland.

Share price fall resumes

BY GEORGE GRAHAM

LONDON'S stock market resumed its downward slide yesterday and finished the week 9 per cent below the peak it reached in April this year. Share prices rallied early in the morning in reaction to the falls of the previous two days, but the slide resumed.

The FT-Actuaries All-Share index finished last night at 757.22, down 0.1 per cent on the day and 9.03 per cent below the peak seen on April 3.

The FT Ordinary share index shed 56 points over the week, closing at 1217.4, down 15 per cent from the peak it reached in April. Yesterday it gained 6 points as traders balanced their books but it fell back to end 4.1 points lower on the day.

Dealers were disappointed in their hopes for a stronger technical rally as short-term traders settled their outstanding

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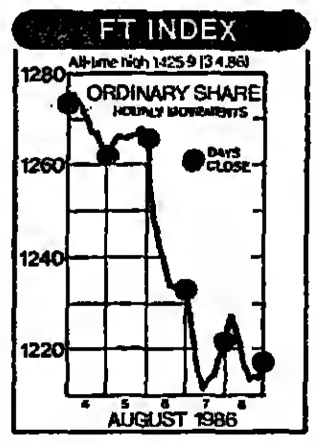

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Royal Ordnance in R & D pact

BY LYNTON McLAIN

ROYAL ORDNANCE, the state arms and munitions company, has signed a statement of intent with Heckler & Koch, the West German sub-machine gun maker, to establish a framework for joint research, development and production.

The agreement could lead to Royal Ordnance sharing the benefits of the German company's lead in gun technology in return for Heckler & Koch sharing Royal Ordnance's order book.

The plan calls for sales revenue and rights in patents and other intellectual property to be shared between the two companies. There is no plan for a joint company to be formed and Royal Ordnance is not to sell any assets to the Germans.

Heckler & Koch is one of the world's foremost small-arms manufacturers and makes the compact sub-machine guns used by the Special Air Service and the Metropolitan Police.

The company has a technical lead over Royal Ordnance in the development of caseless small-arms technology but is short of work, while the British company has a larger volume of work.

Caseless technology involves the development of wespons that can fire bullets without the traditional brass cases to hold the gunpowder.

Royal Ordnance is producing a new short rifle for the British army. The company has a contract to make 250,000 of the SA80 weapons and is waiting to tender for a second tranche of 175,000 rifles.

Heckler & Koch is interested in sharing this work. In return, an agreement with Royal Ordnance could give the British company access to the caseless technology favoured by the West German army for use in the 1990s.

The initiative for the link-up with the small-arms division of Royal Ordnance came from Heckler & Koch. Senior executives met Mr Roger Pinnington, chief executive of Royal Ordnance, as the recent British Army Equipment Exhibition at Aldershot.

The letter of intent, dated July 18, 1986, states that "RO and H & K will enter into discussions with a view to reaching agreement within a period of two months from the date of this letter or such other further period as may b agreed on collaboration between the parties in the field."

The joint research, development and production is to be in the UK or in West Germany. The statement of intent also covers the prospect of the joint marketing and sales of products, including small-arms ammunition.

The letter envisages a long-term agreement to provide an equitable arrangement for sharing the proceeds of sales or technology.

MARKETS

DOLLAR	STERLING
New York lunchtime:	New York lunchtime $1.4745
DM 2.0695	London: $1.4735 (1.4765)
FFr 6.7215	DM 3.05 (3.0525)
SFr 1.66925	FFr 9.9025 (9.9075)
Y154.15	SFr 2.4575 (2.46)
London:	Y227.0 (same)
DM 2.0695 (2.067)	Sterling index 70.9 (same)
FFr 6.72 (6.71)	**LONDON MONEY**
SFr 1.6675 (1.666)	3-month interbank:
Y154.1 (153.75)	closing rate 10% (same)
Dollar index 111.0 (110.7)	**NORTH SEA OIL**
Tokyo close Y154.1	Brent 15-day August (Argus), $12.775 ($13.60)
US LUNCHTIME RATES	**STOCK INDICES**
Fed Funds 6⅛%	FT Ord 1,217.4 (−4.1)
3-month Treasury Bills:	FT-A All Share 757.22 (−0.1%)
yield: 5.83%	FT-SE 100 1,526.7 (−3.2)
Long Bond: 97⅛	FT-A long gilt yield index:
yield: 7.45%	High coupon 9.58 (same)
GOLD	New York lunchtime:
New York: Comex Dec latest $378.2	DJ Ind Av 1,780.79 (−5.49)
London: $369.875 ($362.5)	Tokyo:
	Nikkei 17,435.53 (+13.17)

Chief price changes yesterday, Back Page

CONTINENTAL SELLING PRICES: Austria Sch 20; Belgium BFr 45; Denmark DKr 8; France FFr 8; W Germany DM 2.20; Ireland 60p; Italy L1,500; Malta 30c; Netherlands Fl 2.75; Norway NKr 7.00; Portugal Esc 90; Spain Pta 125; Sweden

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OVERSEAS NEWS

Congress steps up pressure on arms control

BY NANCY DUNNE IN WASHINGTON

THE US Congress is stepping up pressure on the Reagan Administration to move on old and new arms control agreements.

The Senate voted approval late on Thursday of a non-binding resolution, which called on the President to resume US-Soviet talks on a comprehensive test-ban treaty. The House was expected to vote yesterday on a similar resolution, calling for a one-year moratorium on most nuclear tests, as long as there is assurance of verification.

On Thursday, the house asked the President to submit two underground test treaties, which were negotiated with the USSR in 1974 and 1976 but never sent to the Senate for final approval.

The latest arms control moves come as Congress heads towards completion of defence authorisation legislation for next year. In the Senate, the spending bill has become entangled with proposals to aid the Nicaraguan contras and to impose sanctions against South Africa.

Senate leaders were reportedly close to agreement yesterday on procedural matters which would allow votes on both issues as well as final Senate action on an extension of the debt ceiling and a repair of the Gramm-Rudman balanced budget law.

The Senate yesterday debated a proposal by Senator John Kerry, a Massachusetts Democrat, to continue to block tests of anti-satellite weapons. The House initiated the ban on tests of anti-satellite weapons during the 1986 budget year and air force officials say they may consider killing the system if the ban is continued. The House is expected to vote next week on whether to continue the ban.

Late on Thursday the Senate split 50-50 on a proposal to block production of chemical weapons. The tie was broken by Vice-President George Bush, who cast his third tie-breaking vote in four years in support of the Reagan Administration's efforts.

● A US House subcommittee will vote next week on a proposal to send evidence to a special prosecutor indicating that a former top Reagan aide may have committed perjury in subcommittee testimony.

Congressman John Dingell, a Michigan Democrat and chairman of the House energy and commerce subcommittee, said his staff has found "serious conflict" in testimony by Mr Michael Deaver about his lobbying activities.

Portugal picks ITT switching system

By Diana Smith in Lisbon

PORTUGAL'S post and telecommunications corporation, CTT/TLP, has chosen ITT System 12-40 digital switching system for a 50 per cent share of the local market.

Initially, this could represent about $60m (£40.6m) of business. The long-term operation of converting Portugal's creeking, overloaded telecommunications system to modern techniques was originally estimated at $1bn.

The cabinet of Prime Minister Prof Anibal Cavaco Silva's — which vowed that the choice for the second half of the market would be based exclusively on technical criteria — is expected to ratify the CTT/TLP choice within a fortnight.

On August 20, the official contract will be signed for Siemens, which, in association with a Portuguese factory, Centrel, will supply the other half of the market.

The choice of ITT ends a long, often tortuous, process that began under the previous government, which arbitrarily excluded three candidates—Ericsson of Sweden, Northern Telecom of Canada, and ATT-Philips from the original 1984 tender. The previous government, at a time when Portugal was nearing EEC accession, was accused of letting itself be swayed by political considerations and yielding to a particularly powerful French lobby, when it picked Siemens and France's Alcatel to share the market in the 1985 decision.

The new Government suspended this decision, alleging that the proceedings had not been "transparent." It then re-examined the entire tender, opened a new tender for half the market and received bids from Ericsson, ITT and Alcatel.

ITT has for decades had a large Portuguese manufacturing unit, Standard Electrica, which employs 2,300 people. In recent years it has been absorbing digital technology from ITT plants in Europe, in the hope that the US parent company would win the tender.

Kwandebele independence in doubt

BY BERNARD SIMON IN JOHANNESBURG

THERE ARE growing signs that Kwandebele, the strife-torn tribal homeland north-east of Pretoria, is having second thoughts about accepting the nominal independence due to be granted by South Africa later this year.

A request to delay independence indefinitely may follow a special meeting of the territory's legislative assembly due to start on Tuesday. Such action would be a dramatic reverse for Pretoria's grand apartheid strategy, which has aimed for the past three decades at persuading 10 scattered, fragmented and impoverished "homelands" to accept independence as a means of depriving blacks of permanent rights in "white" areas.

Four territories — Transkei, Bophuthatswana, Ciskei and Venda—have already taken independence, a status recognised only by South Africa. Kwandebele is due to become "independent" on December 11. The legislative assembly voted unanimously in favour of autonomous status in 1982.

An official of the chief minister's office in Siyabusa, Kwandebele's capital, said yesterday that the authorities planned to raise three "discussion points" during the forthcoming legislative assembly session. Two of them, dealing with citizenship and the recent widespread violence in the territory, may be used as pretexts for raising the independence issue.

The official said no decision had yet been taken about postponing independence.

The South African Government's public stance is that Kwandebele must decide whether or not it wants to proceed. But Pretoria's economic hold on the territory and the influence of many white advisers in the homeland administration, make it unlikely that a request to delay independence would be taken without South Africa's tacit approval.

The loss of South African citizenship is widely regarded as the most severe drawback of homeland independence. The South African authorities have recently made it clear that citizens of territories accepting independence have no more rights than any other foreigners in South Africa, despite the abolition last month of the hated pass laws.

While violence in South Africa's urban areas appears to have subsided since the state of emergency was imposed in mid-June, unrest in Kwandebele has continued unabated.

About 125 people have been killed and more than half the territory's businesses destroyed or closed since the beginning of the year.

Several respected members of the territory's royal family, with normally conservative views, have joined forces with young political activists in bitterly opposing independence. One tribal prince said in a newspaper interview published yesterday that independence would almost certainly lead to greater bloodshed.

Anger has been further fuelled by the enforced incorporation this year of the Moutse district into Kwandebele, a move which raised the population of the territory to 320,000.

The violence has pitted opponents of independence against Imbokotho, a ruthless vigilante group organised by government ministers, businessmen and members of the legislative assembly.

The dissolution of Imbokotho is the third point to be discussed by the legislative assembly next week. The group's acknowledged leader, Home Affairs Minister Mr Piet Ntuli, died in mysterious circumstances last week when his car exploded minutes after leaving a heavily-guarded government compound.

With an area of only 800 sq km, Kwandebele is one of the smallest and poorest of the 10 homelands. It was set up as a reservoir of black labour for the Pretoria area. Four-fifths of the working population commute to "white" urban areas, spending up to eight hours a day travelling to and from work.

Kohl still opposed to punitive sanctions

CHANCELLOR Helmut Kohl of West Germany restated his opposition (to punitive economic sanctions against South Africa yesterday, Reuter reports from Bonn. He said they were not an appropriate way to induce political reform in the white-led republic.

The Chancellor, on holiday in Austria, told the conservative newspaper Die Welt in an interview released before publication: "The West German Government has fundamental doubts about economic sanctions. They are not an appropriate method of achieving the desired political goals (in South Africa).

"Sanctions can generally be dodged, so they can barely influence the domestic political situation of a country," he added, although he did not explicitly rule out the possibility of West Germany applying sanctions.

Mr Juergen Moellemann, Deputy Foreign Minister, and a member of the Liberal Free Democratic party, said last week it seemed inevitable that the Bonn Government would have to revise its policy on sanctions after the failure of a diplomatic mission to South Africa by Sir Geoffrey Howe, the British Foreign Secretary.

Chancellor Kohl praised the "admirable patience" of Sir Geoffrey, who went to South Africa on behalf of the European Community to try to persuade Pretoria to talk to black leaders about dismantling its policy of racial segregation.

He said West Germany would confer with the US, Japan and Canada on the basis of a report from Sir Geoffrey on his mission.

Kenya acts to avert banking collapse

BY MARY ANNE FITZGERALD IN NAIROBI

PRESIDENT Daniel Arap Moi yesterday sacked one of his cabinet in a move that signalled his disapproval of banking malpractices that have shaken Kenya's financial sector and threaten it with collapse.

Mr Andrew Ngumba, the former Assistant Minister for Planning and National Development, was also the chief executive of one of three groups of commercial banks and financial institutions facing liquidity crises. Rural Urban Credit Finance Ltd was placed in receivership at the end of 1984 for failure to pay a £6.33m debt to customers.

On Thursday Continental Credit Finance Ltd and its affiliate, Continental Bank of Kenya Ltd, were also put into receivership. Applications for their winding up were placed by two state bodies, the National Social Security Fund and the National Bank of Kenya, for being unable to repay debts of over £4m and £1.4m respectively.

The previous day Union Bank of Kenya Ltd was suspended from the Central Bank's clearing house. Its two subsidiaries also closed their doors to business. All the institutions concerned are owned by Keoyan Africans.

A government statement issued yesterday sought to restore depositors' confidence with reassurances of stricter enforcement of banking regulations in the future. Mr Moi has invoked the banking statute to appoint managers to the troubled banks. He also appointed a special investment committee that will advise on how to raise funds from the public and private sectors to ...

The membership of the commission underlines the Government's fear of the possible collapse of the banking system. They include the Central Bank Governor, Mr Philip Ndegwa, Finance Minister Prof. George Saitoti and Chief Secretary Mr Simeon Nyachae.

The statement accused the directors and shareholders of the banks of using depositors' money for personal loans and loans to companies in which they have an interest.

Despite blatant infringements of the Banking Act, virtually no action had been taken until last month, when the Continental Group was suspended from the Central Bank clearing house. Signs of trouble first surfaced last year when Continental was unable to repay an interbank loan. By January of this year over 40 per cent of the bank's loans were extended to directors and director-related interests.

All three of the groups have substantial deposits from state corporations including the National Social Security Fund which is the state repository for pensions.

Japan condemns SA measures

By Ian Rodger in Tokyo

JAPAN HAS condemned South Africa for restricting the movement of Zambian and Zimbabwean goods through its territory and has protested against Pretoria's imposition of an import levy on these transhipments.

Mr Wasuke Miyake, Director General of the Middle Eastern and African Affairs Bureau of the Foreign Ministry, told Mr J. F. Wentzel, South Africa's Consul General in Tokyo, that the measures were against Japan's policy of seeking a peaceful solution to the problems of Southern Africa, including apartheid.

Mr Miyake said the import levy would deal a serious blow to the regional economy as a whole.

Meanwhile, there were indications that the Government was considering additional sanctions against South Africa but was waiting for clarification of the intentions of Britain and the US.

Volcker and Pohl to hold talks on interest rates

BY JONATHAN CARR IN FRANKFURT

MR PAUL VOLCKER, chairman of the US Federal Reserve Board, and Mr Karl Otto Pöhl, the West German Bundesbank President, will hold talks shortly on co-ordinated action to drop key interest rates.

It is felt that such action, if carefully timed, could help encourage economic growth—in both countries and beyond—without further depressing the US dollar against the D-Mark.

The informal discussions between the two central bank leaders will take place here on the sidelines of Monday's funeral service for Mr Otmar Emminger, the former Bundesbank President who died last week.

They come in the wake of new appeals from top U.S. officials to West Germany and Japan to take action to boost their economies, increase imports and cut their huge trade surpluses.

They also follow the latest forecast by the Reagan Administration that US economic growth this year will be slower than expected, thus cutting government receipts and worsening the budget deficit.

In an interview published this week Mr James Baker, US Treasury Secretary, expressed disappointment that West Germany and Japan had not joined in when the US cut its discount rate to six per cent last month.

He warned that unless both countries acted to help curb their surpluses, the US Congress might pass tough protectionist legislation and a world trade war could emerge.

Hitherto the West Germans have argued that although they are heading for a record nominal trade surplus of around DM 100bn (£32.46bn) this year, domestic demand is picking up and imports are increasing in real terms more strongly than exports.

Italy's industrial output index rises by 4.1%

BY DAVID LANE IN ROME

ITALY'S index of industrial production was 4.1 per cent up at the end of June on its level one year earlier. The index, weighted for seasonal factors, showed an average increase of 2.6 per cent over the first six months compared with the same period of 1985.

Several sectors showed improvements during the first half of the year. Output in the oil industry was 5.5 per cent higher, production of plastic materials increased by 8.1 per cent, textile production rose by 6.2 per cent and vehicles by 4.9 per cent.

In contrast to overall manufacturing performance, production in other sectors of Italian industry declined. The leather and fur industry recorded a fall of 4.8 per cent during the first half of the year. Footwear manufacturing also declined down 3.3 per cent compared with the first six months of 1985.

Swedish yard lays off 800

By Sara Webb in Stockholm

SWEDEN'S offshore yard Götaverken Arendal (GVA) is to lay off almost half its 2,000 strong workforce.

From September 1, about 800 employees will be given temporary jobs with GVA Resurs, a special subsidiary, until new jobs outside GVA can be found.

GVA, based at Gothenburg, is one of the few remaining marine construction yards in Sweden. Swedyards, the state shipbuilding group, announced earlier this year that it would close down its last merchant shipbuilding yard, Kockums, because it saw no prospect of the yard being able to operate profitably on a commercial basis.

GVA built merchant ships between 1963 and 1977 but turned to offshore production as the merchant shipbuilding industry slumped.

As oil prices dropped and demand for offshore production equipment fell, GVA switched its attention to project management and the development of technology and no longer needs such a large workforce.

"We have to change with the market and we can no longer afford to employ so many people for offshore production," GVA said.

The company is due to deliver a floating production platform to the US company Sun Oil by the end of August, its construction project worth over SKr2bn (£193m).

The platform will be used on the North Sea Balmoral field at the beginning of 1987.

"We have no large orders within sight. Perhaps we will work in co-operation with a foreign company," said GVA's managing director, Mr Rolf Bergstrand.

South Korea and EEC agree on textiles

By Tim Dickson in Brussels

THE European Commission announced yesterday that it has successfully concluded a new bilateral textile agreement with South Korea.

The accord, which will run for five years from next January, was reached late on Thursday evening and will limit the growth of Korea's exports to the EEC to between 0.1 per cent and 1.25 per cent for the most sensitive products, while allowing bigger increases in some other categories.

The agreement with South Korea, a major supplier of garments such as T-shirts, trousers and pullovers, was among the most tricky of the 19 reached by the EEC so far this year. A further seven have yet to be completed but it was announced yesterday that talks will resume with Pakistan, Brazil and Hong Kong in September.

Marcos aides recognise Aquino

BY SAMUEL SENOREN IN MANILA

KEY SUPPORTERS of the deposed Philippines president, Mr Ferdinand Marcos have boosted the shaky position of President Corazon Aquino by agreeing to recognise her Government.

Mr Arturo Tolentino, leader of an attempted coup last month and Mr Marcos's vice-presidential running mate in the February elections, told a news conference yesterday he was ready to pledge allegiance to the republic and acknowledge the existence of Mrs Aquino's Government "in consideration of the dropping of the rebellion charges against all the civilian respondents."

Mr Tolentino, who installed himself acting president in the absence of Mr Marcos during the shortlived rebellion, said he would also renounce force or violence to overthrow Mrs Aquino's Government.

However, he will not pledge allegiance to the "freedom constitution" with which Mrs Aquino replaced the previous charter, which she abolished. He does not want to recognise it since it has not been approved by the people in a plebiscite.

Mr Tolentino's recognition of the Aquino Government, without the pledge to the freedom constitution, was the result of a compromise worked out with the Minister of Justice, Mr Neptali Gonzales.

Mrs Aquino had earlier required a pledge to the freedom constitution as a condition for executive clemency.

When Mr Tolentino and his group refused, they were charged with rebellion, an offence which carries a death penalty.

Mr Tolentino and other key supporters, including former members of the parliament which Mrs Aquino also abolished, are expected to take their oaths early next week.

The move by Mr Tolentino, widely regarded as Mr Marcos's successor, is a blow to Mr Marcos, who is hoping to stage a comeback to Manila to lead the fight against communist insurgency.

Mrs Aquino has initiated ceasefire negotiations with the communists, but has announced she would not form a coalition government with them.

The armed forces, which swept her into power, are also suspicious of the communists' designs because of an increase in attacks against military targets.

Paris attacks SNCF privileges

BY DAVID MARSH IN PARIS

THE French Government is on a collision course with 230,000 railway employees over a threat to phase out working privileges built up over more than 60 years at SNCF, the country's rail board.

Although he couched his criticisms in reasoned tones, Mr Jacques Douffiagues, the Transport Minister, this week opened an attack on statutory rights such as early retirement opportunities at SNCF, which receives FFr 33bn (£3.29bn) of public funds each year to cover its costs.

Yesterday the Communist daily newspaper L'Humanité, leaping to the defence of one of the party's last bastions in the French economy, said the minister had switched the alarm signal at SNCF and accused him of trying to derail the train network.

Mr Douffiagues' comments also sparked off a joint statement from the seven major trade unions, representing rail workers, warning that they would reply in suitable form if the Government tried to carry out its threats.

The Transport Minister took issue specifically with railway workers' benefits—such as the right to retire at the age of 50 for drivers and 55 for office personnel—which had been inherited from the age of steam. "It needs to be shown that driving electric trains puts the same strain on the nerves as a steam locomotive," Mr Douffiagues said in an interview with Le Monde.

The right wing Government is trying to bring more flexibility into rigid French employment practices as part of its general bid to deregulate the economy and open up state and private enterprises to more competition.

Mr Douffiagues' call for discussions on the statutes covering rail workers—parts of which date from 1920—touches peculiarly sensitive nerves, however, reflecting symbolic importance for the left of railwaymen's hard-won benefits and the union's claims last summer that efforts to cut costs were lowering safety standards. A series of rail accidents last year cost 84 lives.

Car bomb kills 20 in W Beirut

BY NORA BOUSTANY IN BEIRUT

A POWERFUL car bomb exploded in a narrow Beirut side-street crammed with motorists and shoppers in the mainly Moslem Arab University quarter yesterday killing 20 people and wounding at least 50. The bomb marked the latest attempt to disrupt a Syrian-backed security plan for West Beirut.

The blast, the sixth in 12 days, devastated rows of shops on both sides of the Afif Tibi street, previously a main location for Palestine Liberation Organisation information offices and nerve centre of the PLO propaganda machine. More than 20 cars were wrecked by the explosion, estimated at 110 lbs of TNT wired to 82 mm mortars, according to police officers inspecting the damage.

Balconies and windows on the first three floors of two seven-storey buildings were shattered by the car bomb. Firefighters took two hours to control the blaze, while Red Cross and civil defence workers searched the smouldering cars in the middle of the street to drag out half a dozen burn victims. Women and workers converged on the ... among the casualties. The crowds wailed as the stiff and blackened body of a baby, with stretched arms and clenched fists, was put on a stretcher.

Syrian special forces, Lebanese police and civil defence ...

Mr Yitzhak Shamir, the Israeli Foreign Minister, yesterday came out strongly against an international peace conference for the Middle East, writes Andrew Whitley from Jerusalem.

The Likud leader, who is due to take over as Prime Minister in mid-October under the country's coalition agreement, was speaking to students in Jerusalem the day after King Hussein of Jordan and Egypt's President Hosni Mubarak had called for a conference including both the US and the Soviet Union.

"We cannot accept the proposal to hold an international conference, with or without the Soviet Union," he said.

An obscure group calling itself the Revolutionary Liberation Cells claimed the car bomb had hit a patrol of Syrian intelligence agents. However, the street where the blast occurred is not on the regular route of a security force backed by Syrian special forces.

Lebanese army and police took up positions along main roads between the densely-populated Shi'ite suburbs of Beirut and the Palestinian refugee camps bordering the Arab University district from the south on Monday. Backed by Syrian troops and plain clothes men, the force has been in charge of extending a security plan to Beirut's restive slums and manning checkpoints at the entrances of Palestinian camps.

Yesterday's car bomb coincided with a drive by the Sunni Moslem Prime Minister, Mr Rashid Karami, to convene his cabinet after months of political deadlock. An offer by Mr Amin Gemayel, Lebanese President, for parliament and the government to discuss constitutional reforms in his presence ...

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American Express Bk.	10	● Robert Fleming & Co.	10
Amro Bank	10	Robert Fraser & Ptrs.	11
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Cayzer Ltd	10	PK Finans. Intl (UK)	10¾
Cedar Holdings	11	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	11
Citibank Savings	¶10¾	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	¶10.9
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S Pacific states in talks on N-free zone

BY DAI HAYWARD IN WELLINGTON

PROGRESS on achieving the proposed South Pacific nuclear free zona agreemeot is under discussion at the South Pacific Forum which opencd in Suva, Fiji this weekend.

Debate will focus on the continued promotion of the proposed anti-nuclear zone and what further efforts can be taken to persuade the five majnr nuclear powers to recognise it.

Mr David Lange, Prime Minister of New Zealand, is continuing his strong promotion of the South Pacific nuclear free zone and the need to persist with efforts to win recognition for it.

The treaty proposes a zone stretching from Australia to Latin America and from 60 degrees south—the point where the existing Antarctic Treaty already recognises a demilitarised zone—to the equator.

It was signed by all but four of the South Pacific Forum nations last August. The four, Vanuatu, Solomon Islands, Papua New Guinea and Tonga, are not opposed to the zone but, for various reasons, hava not yet formally signed the treaty. Some of these states would like to see a much stronger treaty.

A high-powered team of negotiators took the treaty to the US, the UK, Soviet Union, France and China, asking for recognition of two protocols. The UK, US and France, which all have territories in the region, were asked to recognise a third protocol.

If they accept the protocols, the five nuclear powers would agree not to locate, use, or threaten to use nuclear explosive devices in the zone and to stop nuclear testing.

Last week Mr Mikhail Gorbachev, the Soviet Premier, supported the principle of a nuclear-free zone but neither his country nor any of the other nuclear powers has signed the protocols.

Mr Lange believes the Soviet leader's support was designed to emphasise the Soviet Union's interest in the Pacific area. "He was obviously seeking to portray that the Soviet Union is not just a global superpower but a North Pacific superpower and that he will be conciliatory in respect of the nuclear free zone.

The South Pacific countries will stress to the five nations, particularly tha US, that the nuclear-free zone treaty does not interfere with the freedom of ships on the high seaa or in territorial waters gnsranteed by international law.

Emilia Tagaza sets the scene for Anzus talks starting in San Francisco on Monday

US wheat exports strain Australia's friendship

US FARM export subsidies have emerged as a crucial factor in the future of the parlous Australia - New Zealand - US (Anzus) alliance. The issue may not be on the agenda of Monday's meeting in San Francisco between the remaining Anzus partners, Australia and the US, but it has certainly dominated backroom negotiations during the run-up to the meeting.

Still smarting from New Zealand's recent withdrawal from Anzus, the US now faces an unhappy Australia which is sulking about the Americans' repeated disregard of their promise not to sell subsidised agricultural products to Australia's traditional markets.

Australian officials, under severe pressure from farmers and other conservative elements at home, have issued veiled warnings that US bases in Australia, which is the substance of Anzus, would be placed on the negotiating table if agricultural trade incursions continued.

In the past, Australia had merely registered mild protests against such incursions but its current economic circumstances dictate that it must now use its trump card to defend its present export levels to traditional markets. Unprecedented trade and current account deficits and the plunging Australian dollar are threatening Prime Minister Bob Hawke's government, which is now poised to defend agricultural exports to the hilt.

Stability

Farm products account for 30 per cent of Australia's total exports.

Before leaving Canberra for the San Francisco talks, Mr Kim Beazley, the Defence Minister, said Australia's bargaining chips were not the US bases but its "total contribution" to stability in the Pacific, which could be sustained only by its economic strength and the support of the people.

"But that support is clearly going to be white-anted if (Australians) perceive there is a direct clash of economic interests, between ourselves and the US," he said.

Until a fortnight ago, there was disagreement in cabinet on whether to draw the US alliance and the agricultural issues together. Foreign Minister Bill Hayden and Federal Treasurer Paul Keating have been hard-hitting, while Mr Hawke preferred dialogue and negotiations despite recent sales of subsidised US wheat to two other traditional markets, North Yemen and Sri Lanka.

The sales embarrassed the Government as they came shortly after Mr Hawke's visit to Washington to argue Australia's case against agricultural subsidies.

The last straw, which apparently put Mr Hawke among the hawks in Cabinet, was President Ronald Reagan's decision last week to subsidise the sale of up to 4m tonnes of wheat to the Soviet Union. This was accompanied by a move in the US Congress to widen wheat subsidies both in the Soviet Union and China, which together bought A$671m worth of Australian wheat last year.

Mr Reagan made the decision while an Australian delegation led by Mr John Kerin, Primary Industry Minister, was in Washington lobbying Congress against the subsidies. Mr Kerin then warned that although the US bases were not subject to negotiation, there was steam building up among Australian farmers to put the bases on the bargaining table.

Strategic

"Most responsible Australians wouldn't want the development of anti-US feelings, but the US can't expect us to support them in some strategic goals if we are going to be dumped on in agricultural trade," he said.

Mr Kerin had played another card: Australia's huge defence purchase from the US which, he said, he expected to be raised in San Francisco by Mr Beazley and Mr Hayden. Defence contracts with the US are worth about $7bn, making Australia the US's second largest customer after Saudi Arabia.

The threats have worked, at least for the moment. The bill which proposed to extend subsidies across the board over three years was defeated, thanks to the campaign by the Congress Foreign Affairs Committee.

But Australia considers the backdown a temporary breathing space. Mr Kerin expects Congress to buckle under lobbying pressures and hopes that in San Francisco, Australia could drive home the point that the US's long-term commitment is essential.

Before the current wheat war, only once before under the Hawke Government had a cabinet member proposed the use of the bases as a bargaining chip. In 1984, Mr Hayden suggested that the future of the bases would be reconsidered if Washington did not treat disarmament more seriously.

The three major "joint defence facilities" in Australia are all communications stations forming vital links in the US's nuclear network. North-west Cape in Western Australia, Pine Gap near Alice Springs in the *Northern Territory*, and Nurrungah in South Australia.

Satellite

North-west Cape is a communications relay-station for nuclear submarines run by the US Navy. It is governed by a 25-year treaty signed in 1963 and can be terminated at six months' notice by either party. Pine Gap is a satellite operation established in 1966 and operated by the Central Intelligence Agency. Nurrungah was set up in 1969 for use by the US Air Force. The treaties governing Pine Gap and Nurrungah can be terminated at one year's notice by either party.

Tokyo proposes 3.8% reduction in price of rice

BY IAN RODGER IN TOKYO

THE Japanese Government this week proposed a modest 3.8 per cent cut in the price of domestically produced rice.

If the proposal goes through, it would be the first reduction in the price of this national staple in 30 years. It would also go a little way to reducing the Government's vast subsidy bill on rice. It would also slightly soothe US rage over Japan's protectionist agricultural policies.

Moreover, there are sound arguments for a reduction at this time. Interest rates have dropped substantially and wage rates and consumer prices are stable.

However, the proposal is unlikely to succeed. As in the European Community, agricultural issues in Japan do not aeem to be susceptible to argument or even geo-political forces, but are governed mainly by farmers' votes, on which the ruling Liberal Democratic Party (LDP) depends.

The price paid to farmers for rice in Japan today, Y299 (£1.30) per kg, is roughly 10 times the US market price, which is why farmers produce far more rice than anyone wants to buy.

Within two days of the rice-cut proposal being announced, the LDP adopted a resolution calling for it to be rejected.

Malaysia freezes Co-op assets

Malaysia has frozen the assets of 23 co-operatives and their 132 directors during an investigation into alleged mismanagement, reports Renters from Kuala Lumpur.

Finance Minister Daim Zainuddin told a press conference that among the directors was Tan Koon Swan, President of the Malaysian Chinese Association which is a major component in the ruling National Front Coalition returned to power in last weekend's general election.

Rumours of the action had already cut share prices on the Kuala Lumpur Stock Exchange.

The 23 co-operatives, with a total membership of 540,000, had deposits worth $536m, Daim said.

The government move was aimed at cleaning up a number of co-operatives following public complaints that they were being mismanaged. Malaysia has a total of 34 co-operatives.

Daim said the assets of the directors and co-operatives would be released if investigations, expected to take about a month to complete, showed they were not involved in malpractices.

Ethiopia faces worst locust plague for 50 years

BY MARY ANNE FITZGERALD, RECENTLY IN ADDIS ABABA

ETHIOPIA'S first good grain crop since the 1984 drought that affected 8m people is threatened by a locust plague. It could prove the worst for 50 years unless it can be brought under control in the next six weeks.

The country's Ministry of Agriculture has asked the United Nations Food and Agricultural Organisation (FAO) office in Addis Ababa to mobilise assistance from the international community to combat the insects before they start swarming over the countryside. If there is no response to the appeal, Ethiopia will again face the spectre of large-scale famine.

"Unless immediate action is taken, there is a danger of very substantial crop damage," a FAO official said.

Two species of locusts are invading the country in a pincer movement from the east and west. African Migratory Locusts, after reproducing in East Sudan, have reached Gonder province in the west. A report earlier in the week said they had already destroyed 4,000 hectares of crops on a state farm in the region.

Growing threat: an Ethiopian makes his way through a locust swarm in the Laida area

For the past two months, Desert Locusts have crossed the Red Sea from Suadi Arabia into Tigray province, one of the areas that was hardest hit by the drought. They have been sighted in the eastern districts of Raya and Azebo, Agame and Hulet Awialo.

220,000 Tigrayans have been receiving relief supplies through an airdrop operation in which the British Royal Air Force is participating. This month an emergency operation will start around the provicial capital of Mekele to feed another 300,000 people until the harvest comes onto the market in January.

August and early September are the critical periods for arresting the infestation while the immature locusts, known as hoppers, are still crawling on the ground. Once they have matured, they will fly into other provinces, laying waste to the countryside as they migrate.

An adult locust consumes its own weight in food every day. Swarms number up to one billion, covering 10 square kilometres. They are capable of destroying tens of thousands of tons of grain as they move.

Unless they are eradicated the pests will hit Ethiopia's main crop of the year during its vulnerable early growing stages. A harvest of up to 6m tons, slightly below the 7m tons average for normal years, is expected. Even so, 5.5m people will require 1.2m tons of donated food this year.

Mr Edouard Saouma, Director General of the FAO appealed in Rome on July 7 for donor assistance to combat the potentially disastrous invasion that threatens eastern Africa. He asked for $23.5m (£15.9m) over the next three years. The request for 1986 was for $5.5m.

Sudan received $3.3m from donors, but no funds were committed to Ethiopia. Money is needed urgently to identify the location of the locusts from the air and to send in ground teams to spray them, the FAO official said.

UK NEWS

Inner-city aid redistributed to areas of greatest need

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE GOVERNMENT is re organising the urban aid programme to concentrate financial resources in areas where it hopes they will achieve the biggest impact.

The rethink, which began after last year's inner-city riots, will extend from 32 to 54 the number of districts which can submit inner area programmes in the hope of attracting government support.

However the decision means that 24 local authorities previously able to seek financial assistance under the urban programme can no longer do so. They include Luton, Lincoln and Wrekin.

A total of £317m is available in 1986-87 under the urban programme. The Environment Department emphasised yesterday that the revised strategy would not affect total resources allocated for inner-city aid.

Under the proposals, announced by Sir George Young, the Environment Minister, 22 additional districts will for the first time be invited to submit inner-area programmes for government support.

Seven of the districts, Bristol; Stockton; Dudley; Preston; Derby; Halton; and Kensington and Chelsea, do not qualify for financial assistance under the Inner Urban Areas Act 1978, though they have had access to funds through the long-established urban programme.

The Government's decision reflects ministerial concern that until now the limited resources available for urban aid have been spread so thinly that their effectiveness has been restricted.

Resources will be concentrated on areas with special problems and needs with the aim of achieving more tangible results.

Future allocations will take account of individual local authorities' ability to undertake projects stimulating economic growth, improving the environment and relieving social need.

Ministers propose to phase out the Traditional Urban Programme, the system under which large numbers of authorities could bid for relatively small sums of support for individual projects.

Existing commitments under that programme will be honoured, and some projects continue to be funded for four or five years. There will be no new bidding for 1987-88.

Sir George said: "The Traditional Urban Programme has been a useful mechanism for encouraging a large number of authorities to tackle inner area problems in partnership with the voluntary sector.

"But it has become increasingly clear that resources, and the impact achieved from them, are spread too thinly, and that too much time and effort is wasted in working up unsuccessful bids."

He claimed that the recent rate support grant settlement should put those local authorities phased out of the urban programme in a stronger position to tackle their needs without specific grant assistance from central government.

Takeovers in second quarter total £6.38bn

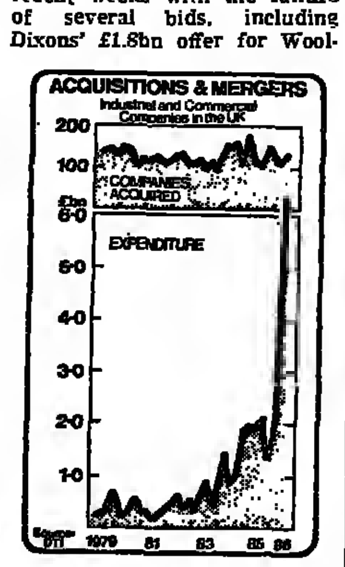
By Charles Batchelor

TAKEOVER activity rose to a record level of £6.38bn in the second quarter of 1986, mainly because of the completion of two of the £2bn-plus deals launched towards the end of 1985, according to Department of Trade and Industry figures.

The acquisition of Imperial, the drinks and tobacco group, by Hanson Trust for £2.56bn, and of Distillers Company by Guinness for £2.53bn were each bigger than the previous quarterly record of £2.22bn for all takeovers, set in the third quarter of 1985.

The number of acquisitions, at 128, was almost 20 per cent higher than the first quarter figure of 108, while their value was nearly three times larger than the previously quarterly record.

The rise in takeovers has shown signs of faltering in recent weeks with the failure of several bids, including Dixons' £1.8bn offer for Woolworth Holdings and the £220m bid from Siebe for fellow engineer APV Holdings.



Nevertheless the current year is already guaranteed to set a record for takeover activity — excluding the impact of inflation — as the value of deals completed in the first half was £8.47bn, nearly 20 per cent higher than the previous annual record total of £7.09bn in 1985.

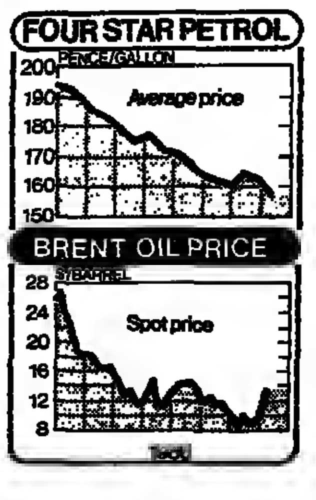
The Hanson and Guinness bids accounted for no less than 80 per cent of the total value of bids completed in the second quarter although a further 24 acquisitions were also worth more than £10m each.

These large bids made up 97 per cent of all deals by value.

Largest among the other bid takeovers were the acquisition of the Home Charm home-improvement group by Ladbroke, the gaming and leisure company, for £201m

Lucy Kellaway on oil groups which are quick to raise drivers' costs

Why petrol prices defy gravity



OIL COMPANIES are getting ready for a round of petrol price increases. Less than a week has passed since Opec ministers agreed to cut oil production, yet the price signal has already flashed right along the line towards the petrol pumps, and by the middle of next week prices are likely to have risen by about 10p to an average of 165p a gallon.

The speed of the reaction is startling. There seems to be an asymmetry in the way pump prices follow movements in crude oil prices. When oil prices fail, pump prices follow almost at once. However, when oil prices rise, pump prices become sticky, and impatient motorists are reminded that it takes a couple of months for a barrel of cheap crude to work its way through the system.

Since the beginning of the year petrol prices have fallen fairly steadily. But crude prices have oscillated wildly on a downward track, allowing oil companies to ignore short downward bursts, but observe similarly jagged upward movements.

Throughout June and most of July, petrol prices seemed stuck above 160p in spite of a precipitous drop in crude prices from about $15 to $8 a barrel. It is only over the last few weeks that petrol prices had begun a belated recognition of the movement.

The extent to which oil companies have been able to postpone passing on price falls to the consumer is apparent in the huge profits being made "downstream" — in refining and marketing.

This week Shell announced that its downstream profits outside the US surged from £23m in the second quarter of last year to £300m in the same period this year measured on a current cost basis. For many of the large integrated oil companies, downstream profits so far this year have been large enough to offset the damage caused by lower petrol prices to their oil exploration and production profits.

Perhaps one should not grudge the oil companies a decent return from refining and selling petrol, as they have suffered half a decade of downstream losses or returns insufficient to justify the amounts invested. In the three years 1982 to 1984 Texaco lost more than £500m downstream, while in the last ten years Shell made an average of £60m a year downstream before interest payments or tax, a poor average return on £850m of capital.

The industry has suffered from severe overcapacity in refining and in distribution, and from huge networks of petrol stations fighting for a share of a static market.

In the last few years, the big oil companies have tried hard to deal with the problem of overcapacity: older refineries have been closed, and operations streamlined. This was reflected in improved downstream profits last year, but it has taken the steep fall in crude prices to produce these glowing results.

Not surprisingly, the oil companies are reluctant to dwell on the great downstream boost given them by lower oil prices.

They are particularly sensitive to periodic complaints that they are making their money at the expense of motorists. Last week the Commons Select Energy Committee published an 80-page report containing information submitted by the oil majors on the relation between crude oil prices and petrol prices.

The committee, which did not attempt to draw conclusions from the data, had requested it on the grounds that "them otorist has naturally been disappointed that the very large fall in crude prices about which he or she reads has not led to such dramatic falls at the pump." In other words, the oil companies were being asked to explain themselves.

This, the oil companies do, vociferously.

All point out what even the most complaining consumer must be aware of by now: that about threequarters of the cost of a gallon is made up by taxes and other fixed costs, leaving only a small portion susceptible to movements in crude prices.

Most make the further claim that allocating a crude input cost to a gallon of petrol is a difficult if not meaningless task, because petrol is just one of the products produced in differing amounts from each barrel of crude.

Furthermore, they protest that it is not helpful to look at the petrol price on the basis of costs plus a margin because they claim the price is driven by the forces of demand in a competitive market.

If petrol prices really are determined by purely competitive forces, the latest rise in petrol prices may well not stick. In the last few months, refineries have been running flat out, partly as a result of "netback" pricing of crude oil, which more or less guarantees the refiner a margin, no matter what price is received for his products.

Such a glut has pushed spot product prices down sharply in the last month, and although they bounced back this week, they would no doubt start to fall again if the first attack of doubts over the significance of Opec's new accord takes hold.

McDonald Wheeler study starts

BY ERIC SHORT

INVESTORS WHO have put their money with the Canterbury-based investment management business run by McDonald Wheeler Fund Management will have to wait some time to find out what has happened to their investments, following the provisional liquidation of McDonald Wheeler earlier this week.

Mr Nick Lyle of Grant Thornton, the chartered accountancy firm, and special manager appointed by the Official Receiver, said yesterday in his capacity as Provisional Liquidator, that as much as £25m was believed to have been placed in the company.

He warned it would be some time before a full report would be available to investors on the status of their investments in the managed funds.

McDonald Wheeler had been running an investment management business since 1983 through nine "in-house" management funds attracting business through investments and brochures—an "investment supermarket" operation. It also handled direct investment in securities on behalf of clients.

The Financial Intermediaries Managers and Brokers Regulatory Association which the company was a member of, first discovered that all was not well with the company.

Fimbra carries out random checks on its members' businesses and operations every five years.

When an investigating officer from Fimbra arrived at McDonald Wheeler about two weeks ago to carry out the first check, he found the records to be inadequate.

In particular, the officer was not satisfied with the accounting records. Fimbra would not give any further details but one possibility is that the company had not kept separate client accounts.

Fimbra, with the agreement of the company, brought in an independent firm of accountants. The firm's report to Fimbra was referred to the Department of Trade and Industry, the inference being that Fimbra was perturbed with the accountancy firm's findings.

The Trade and Industry Secretary petitioned for the winding up of McDonald Wheeler under section 440 of the Companies Act 1985. The Official Receiver was appointed as Provisional Liquidator pending the hearing of the petition in High Court.

The department would not give any further details of the situation nor state whether there would be any criminal prosecutions as a result of the investigations.

Reports during the week refer to investors who had been alerted by previous press reports finding the doors at the McDonald Wheeler offices at 20-22 Watling Street, Canterbury, Kent, locked when they turned up to ask for their money back.

Fighter makes maiden flight

BY LYNTON McLAIN

THE LATEST UK fighter aircraft, the £180m British Aerospace experimental aircraft programme technology demonstrator, the EAP, made its maiden flight yesterday.

The EAP is the first fighter to be assembled entirely in Britain for 32 years, since the supersonic English Electric Lightning in 1954, and is a forerunner of other fighters, including the £20bn Eurofighter venture between the UK, West Germany, Italy and Spain.

The all-electronic, computer-controlled aircraft, which has no mechanical links between the pilot and the wings, rudder or engines, took off from BAe's military aircraft factory at Warton, Lancashire.

The flight was postponed from May by a strike of aircraft workers at Warton, by mechanical trouble with hydraulic actuators last month, and this week by bad weather.

BAe said yesterday the EAP had a "nice, straight and smooth take-off, with no problems." Accompanied by two chase aircraft, a Tornado and a Hunter, the EAP remained airborne for about an hour, including several minutes through the sound barrier.

High speed ground runs preceded the flight, but since only one EAP has been built and because of its inherent instability and ability to fly only with its high speed computers, project managers would not give flight clearance until unpredictable cross-winds at Warton had dropped.

The aircraft is not a prototype for production, but a single design to show the potential of several advanced technologies.

These include an all-electronic system which controls its deliberately unstable but highly manoeuvrable design. The EAP has all-carbon fibre wings, is a tail-first (canard) design and has television screens instead of dials in its solo cockpit.

The new technologies are expected to change how combat aircraft are made. They will eliminate labour-intensive operations. The wings, 25 per cent lighter than conventional hand-made aluminium wings, are made with ribs in a single operation and baked in a large industrial oven. This is the first time this has been done, BAe said.

With this technology, BAe has won a contract to make carbon wings for the Swedish JAS Grippen fighter.

The EAP is a venture between BAe, the Ministry of Defence, Aeritalia, the Italian aerospace company, which made one of the wings and several companies including Rolls-Royce, Dowty, Ferranti, GEC Avionics, Lucas-Aerospace and Smiths Industries. The West German Messerschmidt Bolkow Blohm also has a small stake.

Revenue publicises concessions

By Laurie Ludwick

EMPLOYERS operating suggestion schemes may find it easier to encourage staff to think up ways of improving quality in the workplace if they know that cash bonuses given for the best ideas are tax deductible.

Yesterday the Inland Revenue published details of several extra-statutory tax concessions concerning income from employment. The tax breaks cover a wide range of cases, including a clergyman's cleaning costs and travel expenses incurred during the disruption of public transport.

The tax breaks published yesterday are all long-standing and known to most people affected by them, but their publication is a signal that the Revenue is cleaning up its operations, said Mr John Willmer, a Revenue official.

"We've got a commitment to keep an eye on our administrative practices and publishing these 'good news' concessions is the only way we can let people know we're reviewing the way we do business," said Mr Willmer.

Clergy who are provided with lodging by their employers can benefit from tax breaks on the heating, cleaning, and lighting expenses they incur in maintaining the property.

An extra-statutory concession also applies to a "reasonable amount" of employees' travel and accommodation expenses—paid by the employer — when travel is disrupted by industrial action.

The cost of external training courses and associated expenses when borne by the employer are also subject to tax breaks. But the course must be job-related or of general education for a company's younger employees.

Payments by employers for staff attending full-time educational courses, including "sandwich" courses, are exempt from income tax, provided an employee attends the course at least 20 weeks per year, and the cost does not exceed £5,000 per year, excluding fees.

Austin follows Ford in raising car prices

By John Griffiths

AUSTIN ROVER has followed Ford in warning of higher car prices to become effective on August 18.

The Austin Rover increases will average 3 per cent on all models except the new Rover 800 and old Rover SD1 ranges, the prices of which will remain unchanged. Ford's increases, to be charged on the same day, average 3.7 per cent.

Like Ford, Austin Rover appears to be using the tactic of announcing a price rise well in advance to convince wavering potential purchasers that they should take the plunge.

Customers will still be able to buy cars at the old prices after August 18 for as long as dealer stocks last.

Included in the increases are the cost of fitting safety equipment about to be required by law, such as rear seatbelts.

Examples of the new prices, including taxes (old price in brackets): Metro 1-litre City £4,297 (£4,124); Maestro 1.6HL £7,198 (£7,031); MC Montego Efi £9,212 (£8,875).

City bookmaker IG Index to buy its Ladbroke rival

BY ALEXANDER NICOLL

IG INDEX, one of three companies comprising Britain's financial bookmaking industry, is to buy one of its rivals Ladbroke Index from Ladbroke Group.

The companies — the remaining competitor is City Index — offer the chance to bet on movements in stock markets, currencies and commodity prices, as well as on sports events and even the general election.

The best they offer are akin to financial futures and options contracts, but are straightforward bookmaking. However, bets are structured differently from a punt on a horse because the outcome is different — instead of a horse winning or losing, financial markets either go up, down or stay the same.

Bets are made on a market's direction, and the extent of its rise or fall determines whether the punter makes a killing.

Mr Stuart Wheeler, chairman of IG Index, expects the acquisition of Ladbroke Index to double its turnover. In the year ended May 31, 1985, IG Index took bets totalling £9m, and the company has net assets of more than £1m. The price to be paid for Ladbroke Index was not disclosed.

The bets offered by Ladbroke duplicate some of the larger range offered by IG Index, so the main purpose of the acquisition is to expand IG Index's client list. It has about 3,000 active clients

Woolworth chief of finance named

By Charles Batchelor

WOOLWORTH HOLDINGS has appointed Mr Archie Norman, 32, as finance director in the latest of a series of senior appointments

Mr Norman, a partner of McKinsey & Company, management consultancy, will join Woolworth early next month.

He will replace Mr Derek Pretty, who recently became deputy chief executive of F. W. Woolworth, the group's high street retail chain.

Record number use Ringway airport

FINANCIAL TIMES REPORTER

MANCHESTER Airport broke all its passenger records in June, it was announced yesterday.

A total of 892,111 travellers used Ringway airport—109,958 more than in August 1984, the previous record.

Mr Gil Thompson, airport chief executive, said: "This is easily the best set of traffic statistics the airport has recorded."

It represented a 27 per cent increase over the figures for June 1985.

"The most spectacular growth was in the inclusive tour market," said Mr Thompson. "Scheduled traffic has also showed a healthy growth rate of 15 per cent in aircraft movements and 6 per cent in passengers carried."

● The Association of British Travel Agents stepped in yesterday to help the 1,700 Britons stranded in Europe by the collapse of Solihull-based Hards Travel Service, which went into liquidation this week.

Hards is the 13th British travel firm to collapse or go into liquidation this year.

The total compares with eight at about the same time last year, although last year a further two firms collapsed within two weeks. The final figure for 1985 was 16.

European gains for Land Rover

By John Griffiths

THE LAUNCH of a turbo-charged diesel Range Rover helped give state-owned Land Rover group its best sales month on the Continent in July.

During the month, 911 Range Rovers and 397 Land Rovers were sold. The diesel Range Rover, which was launched at the Turin motor show in April, accounted for more than 500 sales.

The figures were 30 per cent up on the previous record month and reflected a tripling of Range Rover sales in Italy and a doubling in France, compared with July 1985.

In the first seven months of this year 4,407 Range Rovers have been sold on the Continent, 34 per cent up on the same period in 1985.

Computer security companies merge

TWO COMPANIES in the fast growing computer security market have merged.

Computer Security, of Brighton, has taken over Raannd Systems, of Livingston, Scotland.

Computer Security has a turnover of about £2m and specialises in security in electronic transmission of funds. It is best known for its involvement in the Clearing Houses Automated Payment System.

Raannd Systems, with a turnover of about £1.2m, exports electronically controlled safe deposit systems to the Middle East

Lisa Wood examines the marketplace that is attracting more families away from their traditional meals

Fast food chains give meat and two veg a roasting

AN INCREASING number of British families, instead of sitting down to Sunday roast and two vegetables, are combining a trip to the park with a meal at the local hamburger, pizza or baked potato joint.

It is all part of a world-wide trend towards less formal eating. The main beneficiaries are so-called fast food restaurants which offer a limited menu, quick service and a low unit cost.

In spite of the market's growth it is highly competitive and there have been some casualties, including Kentucky Fried Chicken, an early entrant into the UK market which is trying to win back lost business.

Wendy International last week sold its 16 restaurants in the UK to Whitbread, the brewing and retailing organisation. Whitbread plans to convert them into Quick restaurants, a chain it owns jointly with GB-Inno.

Mr Danny Lynch of Wendy International, which has 3,400 outlets in the US and 50 on the Continent, said: "There is growth in the UK market, but it is all about critical mass, that is sufficient outlets to become cost-effective. For us to do that in the UK would have cost a considerable amount and we decided to invest in markets such as Spain and Germany where we have a sufficient base."

Wendy was competing in the mainstream of a burger market, estimated by the market research organisation Market Direction to be more than £460m, where companies such as McDonald's and Wimpy are the big players. It is the biggest market for this type of fast food in Europe though dwarfed by those in the US, Canada and Japan.

Hamburger restaurants: part of a world-wide trend towards less formal eating

If one includes chicken, pizza, fish and chips and more exotic dishes such as Mexican tacos, for take-away and on-premises consumption, it is estimated by Mintel, the market research organisation, to be worth more than £1.8bn, some 20 per cent of all food consumed outside the home.

Operators include Kentucky Fried Chicken, United Biscuits' Pizzaland and Whitbread's Pizza Hut, which is a joint operation with PepsiCo, the US soft drinks and retailing group. Food provided in cafes, snack bars and public houses, a growing sector of brewers' profits, are not included ...

Overall growth in the industry—which complains about high staff turnover and a poor image as an employer—is estimated to be about 15 per cent a year.

The major thrust is still from counter-service outlets, such as McDonalds and Wimpey. Traditional outlets such as fish and chip shops are losing market share.

Mr Ian Petrie, managing director of Wimpy International, a division of United Biscuits said: "If at the moment there are fewer than 400 counter-service burger outlets in the UK we believe the market could sustain between 1,000 and 1,500."

He is confident it will be very much a race between Wimpy and McDonald's with Whitbread's Quick restaurants a dark horse.

"It is costly for the individual operator without the assistance of a franchiser to set up the sort of business the public now demands." said Mr Petrie. Wimpy's outlets cost more than £450,000 to establish.

Not that Wimpy has had an easy time. Bought by United Biscuits in 1976 from J. Lyons as a franchised table service business, it had a tarnished image which has been slowly polished with a new consumer acceptability ... and ... improved profits.

"We have re-established Wimpy on the high streets of Britain," said Mr Petrie, who has reduced the table service business to 296 outlets and developed 110 counter style outlets. Of these 33 are company-owned, including the Huckleberry's chain which it bought from Grand Metropolitan in 1984.

In 1985 Wimpy International's UK turnover rose from £36m to £50m with trading profits rising from £3m to £4.1m. In 1981 the trading profit was £500,000.

Wimpy, like McDonald's, sees the difficulties in obtaining good sites and planning permission as an obstacle to growth. Many local authorities have fought successfully against the introduction of fast food outlets on their high streets.

The industry fears that the Government will not abandon the requirement that fast food outlets taking over a non-food establishment should seek change-of-use permission.

McDonald's, whose outlets are all company run, bar one franchise business, estimates that in its 12 years in England it will have set up 50 more outlets than its 205 if planning permission had not been refused. "That is a loss of around £37m in investment and 4,000 new jobs," said Miss Allen.

Edge-of-town development to complement its high street activities is being vigorously pursued by McDonald's, which this year will open four stand-alone restaurants, each with a drive-in facility.

This is in line with the shift of shopping from the high street to the big hypermarket and shopping complexes on the outskirts of towns.

Wimpy is due to open a free standing restaurant outside Birmingham shortly.

It is all big money and advertising, which most of Britain's more traditional fast food providers such as fish and chips shops cannot emulate.

Mrs Carol Merryweather, president of the London and Home Counties Fish Caterers Association, said: "The big chains have the marketing muscle and the advertising spend. The fish and chip industry is simply too fragmented to get together to pay for advertising to promote the industry."

Mintel said in a recent report on fast food: Estimates of the number of fish and chip shops vary but there is agreement that there has been a decline in numbers, largely due to the imposition (in 1984) of value added tax on hot take-away sales which hit the industrial north especially hard."

Although there are some fish and chip shop chains, such as Sarahs, operated by Rank Hovis McDougall, most fish and chip shops are independent businesses.

New entrants to the fast food market include Tacobell, a Mexican-style US restaurant chain owned by Pepsico International Food Services, which has one outlet in London, opened at a cost of about £700,000.

The Americans, who devour an estimated $40bn (£27bn) a year of fast food at home, usually give the British industry a boost during the holiday season. Having stayed away in large numbers this year they are blamed for hitting sales at establishments such as Tacobell ...

Peat Marwick tops accountant receiverships

By Lionel Barber

PEAT MARWICK topped the table of accountancy firms' receivership appointments for the six months of 1986, according to statistics published yesterday by Dun & Bradstreet the business information company.

Peat Marwick took 104 out of a total of 876 appointments made in the first half of 1986 — a 6 per cent drop on the previous year's 935 appointments.

The top five UK accountancy firms have gained an increasing amount of business inspite of the shrinking market. They handled 44 per cent of the overall number of appointments, compared with 37 per cent in 1985.

Peat Marwick raised its number of appointments from 86 in 1985 to 104 in 1986. But last year's leader, Grant Thornton, slipped to third place receiving only 71 appointments compared with 85.

Coopers and Lybrand/Cork Gully maintained second place, raising its appointments from 89 to 99.

Touche Ross and Price Waterhouse took fourth and fifth places with 62 and 58 appointments respectively. Two firms, Deloitte Haskins and Sells and Thomson McLintock, received considerably less receivership business and slipped to eighth and fourteenth positions ...

UK NEWS—LABOUR

Wapping picketing rules issued

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS of the general print union Sogat '82 are issuing instructions to their members about picketing outside News International's Wapping plant which seem to go considerably beyond the legal requirements placed upon the union by the High Court.

The effect of the union's new instructions is likely to be tested outside the east London printing plant tonight in a march and demonstration organised by the liaison committee for the defence of trade unions, at which several prominent labour movement speakers are due to appear.

Sogat's instructions, contained in an internal document being circulated to union members from Mr Danny Sargeant, the union's president, follow the outcome of a court case brought by NI against Sogat, the NGA and a number of named individuals over picketing.

The court ordered that the number of pickets be limited strictly to six, and that all picketing should be peaceful.

The union's note to members, described as "instructions which you should comply with, both for your own interests, and the interests of the Society," warns that if members do not comply, there is the risk of the re-sequestration of the union's finances, already seized once by the courts in the dispute.

But the note goes further, saying that "it is also likely that any individual not complying with the instructions could be personally in contempt of court."

Sogat activists are angrily arguing that this not only goes beyond the requirements of the court, but is not a correct interpretation of the law. They say that union members, apart from those named in the court's order, are not liable for contempt.

The instructions stress that pickets should be limited to six, that they must not try to persuade those working in the plant to stop work, and that there must be "no violence of any form."

But in addition, they make clear that:

- Sogat members should attend no demonstrations or marches at Wapping "which have not been organised directly by the NEC of Sogat" — a move which, in the unlikely event of it being accepted, would rule out Sogat members' participation in tonight's march.
- Only "people with a direct interest in the dispute should attend on the demonstration and marches." Other groups and individuals "not connected with the dispute should be asked to leave the march or demonstration straight away."
- In line with the court's order, members are instructed to stay in the square off the main road in front of the plant, and not to go any nearer the plant itself. But in addition, the Sogat instructions say that "at the end of any speeches in Wellclose Square, demonstrators must immediately disperse and leave the area straight away."

It says that all daily demonstrators near the plant must obey "any directors" given by the police, or order by picket stewards. Those refusing to obey stewards' orders should be instructed to leave the demonstration immediately.

Sogat activists contrast scathingly all these instructions with the note's concluding that "the NEC will continue to prosecute the dispute."

Sogat tensions likely to rise

By Our Labour Editor

LEFT-WING opponents of the Sogat '82 leadership have won places on the union's national executive council in a move which is likely to exacerbate further the tensions within the union over the Wapping dispute.

Included in those coming on to the union's executive are some key local-level figures in the union who have opposed the dispute's handling by Ms Dean, Sogat general secretary, and the union's leadership.

Most prominent among these are Mr Michael Hicks, a London central branch committee member (4,126 votes) and Mr Bill Freeman, a London machine branch committee member (2,039). Both men have been involved in controlling picketing at Wapping, and both were the subject of recent court action brought by News International.

Also on the executive from London is another left-winger from the machine branch, Mr John Sutton (3,144 votes).

A further indication of the drop in support for the leadership's line in the dispute is the removal from the executive in the election of Mr Billy Osborne, a London machine branch member. As well as being a sacked ex-NI employee, Mr Osborne is also seen as a Ms Dean loyalist.

Print union presses again for suspension of EETPU

BY OUR LABOUR EDITOR

LEADERS of the National Graphical Association print union are pressing again for the suspension from the TUC of the EETPU electricians' union over its role in News International's Wapping print dispute.

The NGA is amending its own resolution submitted for debate by the annual TUC Congress in Brighton in four weeks' time to what is effectively a repeat of its attempt earlier this year to bring disciplinary action against the EETPU, whose members took over traditional print jobs when NI moved to Wapping.

In February, the TUC General Council decided by 15 votes to 14 not to take sanctions against the EETPU which lawyers advised the TUC might well leave it open to legal action the EETPU was prepared to bring.

NGA leaders now accept that to press the issue again on the General Council would see it defeated by a larger majority, and so are taking the complaint on to the floor of the TUC Congress itself. Lawyers are likely to give the TUC the same counsel.

The NGA's amendment—which is open for the union to withdraw, or accept into its own substantive motion, depending on events—says that as all efforts to settle the dispute have so far failed, the Congress should instruct the TUC General Council forthwith to direct the EETPU to tell its members working in Wapping and NI's other plant at Kinning Park in Glasgow:

- To "desist immediately" from doing the work of members of the Sogat, NGA and AEU unions.
- Not to cross official picket lines at the two plants.

The EETPU will argue that this is in effect instructing it to break the law, and will tell Congress that it will have no alternative but to take legal action to prevent the TUC from issuing such an instruction if necessary.

The NGA's amendment, which had to be lodged with the TUC by noon yesterday, says that "should this direction not be complied with, Congress further instructs the General Council to suspend the EETPU from Congress without delay, pending a final decision on expulsion in 1987."

The framing of the NGA's amendment goes some way towards resolving the doubts circulating within the TUC on whether simply passing calling for suspension or expulsion would be sufficient under the TUC's constitution to provide for this action to be taken.

By placing the action within the framework of the TUC general council's powers to issue directives to unions, the NCA makes suspension or expulsion within the rules a possibility by making noncompliance with any such directive a matter of the EETPU infringing TUC discipline. The EETPU is likely to argue that the amendment is outside the TUC's rules.

However, it is far from clear what support the NGA's move will command, particularly since the EETPU will seek to show it has made all efforts since the February decision to act in concert with the other print unions, and especially to try to get talks going.

Warning on sale of school playing fields

THE GOVERNMENT and local education authorities have been accused of a conspiracy to legally rape Britain's state school sports fields.

The charge was made by the Central Council of Physical Recreation, which disclosed that only 24 of the 104 education authorities in England and Wales had replied to its circular, issued in January, seeking information on the extent of sales of school playing fields.

Wages council adjourns in disarray

By Charles Leadbeater, Labour Staff

THE Government's 1986 Wages Act, which came into force a little over two weeks ago, ran into trouble yesterday when the first council to meet under the new law adjourned in disarray because members were uncertain of what powers the new act gives them.

The meeting of the Licensed residential establishment and licensed restaurant Wages Council, which sets minimum rates of pay for 550,000 hotel and catering workers, was the first test of how the new act will work.

But after meeting all day the council was forced to adjourn to seek legal advice over whether it had the power to set a special allowance of £7 per week for workers in London.

Under the 1986 Wages Act, the councils can only set one basic minimum weekly rate of pay, and one overtime rate. The minimum rate for hotel and catering workers in London is £84.14 per week.

The employers offered £67.39 as the new single minimum rate for the industry, a 2.5 per cent rise on the old lowest minimum rate. The unions' objection that this would mean London workers would take a pay cut of nearly 20 per cent were supported by the pivotal independent members of the council.

It was then found that no one was sure whether the council had the power to set a special allowance to maintain the London differential. The council has agreed to meet again in early September.

Mr Eddie Newall, of the Hotel and Catering Workers Union, the leader of the union side in the council praised the independent members for rejecting the employers' offer. Employers and unions have equal representation on the council so the three independent members generally determine the outcome of the meetings.

"Regardless of the legal confusion it is clear that the employers have picked up the opportunity offered by the new act to reduce low wages even further," said Mr Newall.

If the employers offer had been accepted most workers in the industry would have had their basic minimum rate reduced by £10 per week.

APPOINTMENTS

Reorganisation at Esso UK

ESSO UK, part of the Exxon Group, has made following management changes: Mr Peter Ellis will become manager, supply and transportation department in September. Mr Syd Jackson, manager of the transportation department, retires on October 31. Mr Eddie Carr has been appointed manager, contracts and materials department. He was manager information services, Esso Europe Inc., and replaces Mr Roger Keellog who will be joining Exxon Company International in the US on September 1. Mr Dick Cornelius has been appointed controller, Esso UK. He was assistant controller, financial, in Esso Europe Inc. and replaces Mr Bobby Alexander who also goes to Exxon, US on September 1.

Mr David Baxter becomes advertising manager on October 1. He was manager, distributor and heating sales, and his successor will be Mr David Busby. Mr Baxter replaces Mr Geoff Downman who is taking early retirement. Mr Phil Marriott has become manager of the new planning department. He was operations manager at Fawley refinery, and replaces Mr John Vaughan, who has been appointed general manager, Esso Kenya. Mr Clive Wright has been made public affairs manager. Mr Peter Winchester, manager corporate affairs department, is to retire on August 31.

Ralph Parsons European chief

Mr John M. Russell has been appointed managing director of THE RALPH M. PARSONS COMPANY, Brentford, European operation of the international *petrochemical engineering group*. He was director of controls and administration.

★

At RICKMANSWORTH WATER COMPANY, Lt. Col. W. H. L. Gordon has been appointed chairman upon the retirement of Sir John Cockram, and Mr J. M. A. Paterson becomes deputy chairman.

★

Mr John Burrow has been appointed a director of NEW WORLD TRUSTEE SERVICES (UK), a member company of New World Group which is an affiliate of Philadelphia National Bank. He was manager of Hong Kong and Shanghai Banking Corporation's Edinburgh branch, and will join New World Group on September 1.

★

WARD WHITE GROUP has placed its property portfolio and future property development in the UK into two new companies. Ward White Properties will hold and manage freehold and long leasehold interests. Ward White Developments will be responsible for all future retail property developments. In each case the board will comprise Mr Philip Birch, group chairman; Mr John Sharp, group financial director; *Mr John Norman, chairman of* Owen Owen; Mr John Hambleton, property director of Halfords; and Mr Martin Towers, Ward White Group financial controller.

★

Mr T. R. Usher has been appointed a director of PHOENICIAN HOLDINGS, Vancouver. He is executive chairman of its UK subsidiary, Chancellor Insurance Co. Mr F. P. Mannix and Major-General N. St G. Gribbon have been appointed directors of Chancellor.

★

Mr L. G. Graham-Taylor has been appointed a director of THREE QUAYS UNDERWRITING MANAGEMENT.

★

GEEST has appointed as an executive director, Mr David Brown. He was with the Adam Leisure Group.

★

Mr Norman Farrant has been appointed a director of MOORE STEPHENS INTERNATIONAL.

★

Mr Stuart Wallace has been appointed to the main board of PAISLEY SAUNDERS ADVERTISING, Knutsford. He was business development manager.

★

WATTS OF LYDNEY GROUP has appointed Mr John C. Thurston as group managing director, after completing 20 years with the group. Appointed to the board in 1974 he became chairman of Watts Tyres (Overseas) in 1977 and Watts Industrial Tyres in 1979. Mr L. W. White is to be managing director of the tyre division of which he has been chief executive. Mr John H. Watts is to be a group director. He joined Watts in 1984 and is commercial director of the Watts Tyre & Rubber Company.

★

Mrs S. A. (Sam) Harrington has been appointed a director of EQUITY & GENERAL.

★

Mr A. Williams has joined the board of HORTSMAN DEFENCE SYSTEMS as commercial director.

★

BROMSGROVE INDUSTRIES has appointed Mr Henry Ian Mitchell as group finance director. He was with DUPORT as group finance director which he relinquished following its acquisition by Williams Holdings.

★

Sir Francis Kennedy has been appointed a non-executive director of FRANK B. HALL HOLDINGS and Leslie & Godwin. Sir Francis recently retired from the diplomatic service and for the past five years was director of trade and investment and British consul general in the US. Joining the board of Leslie & Godwin as directors are Mr Nigel Christian, Mr Duncan Mekie, Mr Jim Monk, Mr Christopher J. N. Robinson and Mr Peter Roundell (chairman and managing director of Leslie & Godwin Reinsurance). Appointed to the reinsurance *company* are director Mr Christopher Olt and divisional directors Ms Laura Chalkley, Mr Howard Cheetham and Mr Melvin Collard.

Mr Albert S. Humphrey has been elected a main board director of NORFLEX, responsible for finance and business development.

★

Mr Brian Webb has been appointed to the board of PORVAIR, King's Lynn. He was director of marketing.

★

Mr Colin Bruder has been appointed managing director of SPAFAX, Corsham, Wilts. He joins from Renault UK, where he was national sales director.

★

The LAWSON MARDON GROUP has made the following changes: Mr John Durston has become chairman of the UK flexible packaging division and a director of Lawson Mardon. Mr K. Clive Mardon becomes senior vice-president, packaging and forms division, North America, until his return to the UK in September, 1987. Mr Marcel J. Pilon becomes chairman of the UK rigid plastics and metals division until his return to Canada in September 1987. Mr Robert E. Illingworth becomes chairman of the UK carton division succeeding Mr Douglas E. Muir who will retire in September.

ECONOMIC DIARY

MONDAY: Credit business (June). Retail sales (June-final). Producer price index numbers (July - provisional). American and Soviet arms experts meet in Moscow on nuclear and space weapons.
TUESDAY: Building Societies' monthly figures (July). Unilever interim results. President Reagan makes statement in Chicago on South Africa, arms and drugs. South African National Party congress in Durban.
WEDNESDAY: Index of output of the production industries (June). Philips first half results. US advance retail sales figures.
THURSDAY: Labour market statistics: unemployment and unfilled vacancies (July-provisional), average earnings indices (June-provisional), employment, hours, productivity and unit wage costs; industrial disputes. London sterling certificates of deposit. UK banks assets and liabilities and the money stock (mid-July). Provisional figures of vehicle production (July). Royal Insurance and Plessey issue interim statements.
FRIDAY: Usable steel production (July). Tax and price index (July). Retail prices index (July). US producer price index (July).

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Lean times for the gurus

IT HAS been a very bad week for market gurus. In London they have been taken by surprise by bad figures from GKN, by good figures from Shell, and have been sufficiently startled by these howlers to notice that their general economic forecasts are looking a little dog-eared too.

In the US, the economic forecasts were even worse, notably for the current account, but also for stockbuilding, industrial investment and housing. Meanwhile the specialised professionals in the oil market were taken by surprise by the tentative Opec agreement on oil output, and now lack the self-confidence to take a firm view on whether it will work.

New mood

Since markets live on self-confidence and hate uncertainty these awakenings have caused some price turbulence, first in New York and this week in London. The princes of the financial world are also showing a new mood of caution and humility. The chairman of Barclays Bank announces that his bank has dropped out of the race for market share for the time being, because the risks look unacceptable.

In New York, an executive of Salomon Brothers confesses that this firm, reputed the canniest of them all, has taken nine-figure losses not only in the mortgage security market (the packaged mortgages which the savings and loan industry has been marketing), but on the hedge positions they took out in the futures market to guard against precisely these losses. They hedged against the wrong risk: and the executive probably spoke for many when he concluded: "We have learned that we are not as smart as we thought we were."

Big whimper

This is not, of course, the first time that financiers have had to learn that making money is by no means as easy as it seems during a bull market. Those outside this highly privileged world, who have got rather bored with all the talk about the Big Bang, and envious of the big salaries which seem to be its main result, will not waste too much sympathy over the current big whimper. If, however, the change in mood really means that the economic outlook has changed for the worse—as the over-regarded forward indicators, rother dominated by financial numbers, will soon be suggesting—then a shudder would be a more appropriate response than a snigger.

The truth, so far as common sense can discern it, looks a great deal less exciting. The forecast of a 1986 boom, based on falling oil prices, was never very plausible. As we have explained before, shocks of any kind are usually rather deflationary in their first impact.

Distressed sectors

The main benefit of falling commodity prices has been to profits in the first instance; but investment spending has actually been very weak, because of the impact on the oil industry itself. It is only after a time lag that this benefit is spreading to consumers — by way of falling consumer prices in such countries as West Germany and the Netherlands (and surely in Japan before long), which increases the purchasing power of earnings, or through straight wage increases in Britain.

Consumer demand remains strong in most of the major economies; this seems an unlikely forerunner of a major economic downturn. Growth still seems to be on the agenda, though there is not much reason to hope that it will be strong enough to bring help to the distressed sectors of the world economy — the commodity exporters, and the unemployed, who now number some 600m worldwide.

Risk allowance

This outlook is indeed reflected in current security values—which are still high by any but the most recent standards, inspite of the shake-out. It is interesting to note that in Britain, where the market for indexed stock provides a benchmark return, the reverse yield gap has vanished in real terms. Indexed government stocks, which promise a constant real income, yield less than equities, which ought to promise a real income growing roughly in line with the economy. In real terms, equities are once again treated as risk capital.

This risk allowance is realistic, because there is probably a windfall element in current profits; once input prices settle down, margins may well become compressed in the highly competitive markets which now rule. It is then that the Chancellor may realistically hope to see some of the wage moderation he preaches so constantly.

Meanwhile, though, the current mood of disillusion will probably rule for some time. It always takes a long time for economies to respond to a change in climate—long enough to make market men and politicians, who share short time horizons, to become heartsick. For the rest of us, hope deferred remains a great deal better than no hope.

WORLD DRUGS TRADE

Chasing the hot money

By Robert Graham

LETICIA occupies a strategic stretch of flat land raised above the flood level of the Amazon at the tip of Colombia, bordering Brazil and Peru. Almost lost in the vastness of the surrounding jungle, this ramshackle frontier town was until recently a law unto itself.

Remote from the eye of authority, Leticia was a key cog in the complex wheel of the South American drug trade. Hidden in the neutral jungle were laboratories refining cocaine paste, usually brought in from further south in Bolivia and Peru. The pure cocaine would then be carried out by amphibious aircraft, using the natural runway of the wide Amazon waters, en route for the US.

Eighteen months ago, the Colombian Government began to crack down on the drug traffic in earnest. Now many of the small amphibious aircraft are idly moored at the river's edge, and the town's shops are overstocked with unsold duty free goods. The wash of drug money here at least has begun to dry up. But although a semblance of authority has been established in this outback, the drug barons have merely moved on—deeper into the Colombian jungle or further south into Brazil, Peru and Paraguay.

This was one of the reasons which prompted President Ronald Reagan to authorise last month the despatch of six helicopters and 160 US personnel to Bolivia to aid in the battle against coca leaf and cocaine production (in the north of Bolivia alone there are over 600 private airstrips). But so far the operation appears to have inconvenienced rather than stamped out the producers, most of whom mysteriously managed to have prior warning.

Tackling the multi-billion dollar illegal drugs trade is proving as frustrating as trying to squeeze the air in a flaccid balloon: pressure in one place creates a bulge in another. Despite increasing international co-operation, constantly improved techniques, greater resources and more public awareness of the all-embracing dangers of the narcotics business to modern society, those behind the business keep constantly one jump ahead.

President Reagan has singled out drugs as one of the most serious domestic and international problems facing the world and this week announced a major initiative on the problem. He and Vice-President George Bush are to undergo narcotics tests to set an example for federal employees in the US. The issue was placed prominently on the agenda of Western leaders at the Bonn summit last year. Latin American leaders have signed a special treaty to provide mutual assistance in combating drugs trafficking. Malaysia has invoked the death penalty for even minor transgressions by "mules," the small time carriers.

Yet despite genuine concern across the developed and developing world, a sense of impotence prevails in the face of the drug problem.

Drugs seizures, whether in the US or Europe, have climbed steadily in the past five years. However, police and customs officials know they are stopping perhaps no more than 10 per cent of hard drugs entering the market. According to figures from HM Customs, seizures of cocaine, the fastest expanding drug, rose 122 per cent in 1985. The same figures show that the rough "street value" of drug seized was £107m. Even if this represents 20 per cent of current sales, the market is clearly large.

However, the US market is on an altogether different scale. The street value of drugs sold in the US is variously put at between $60bn and $100bn a year. No one knows accurately how much gets through the customs net: approximate calculations are made on the basis of seizures and production estimates (mainly using satellite photographs). Streets price movements are also closely watched and in the past four years the price of cocaine has steadily fallen to under $1,500 an ounce, suggesting there is over-supply.

Superficially at least, it is remarkable that this illegal business has been permitted to reach such a scale. Governments have, after all, been aware of the evils of drugs for hundreds of years and the last century saw the opium wars in China.

The current inability to tackle the narcotics threat would appear to stem from a failure to comprehend the full dimensions of the problem. Until recently it has been seen in national rather than international terms. Producer country governments generally turned a blind eye, and the Western consumer countries tended to attack only the policing problem (by pursuing the dealers) and the health problem (by treating addicts). The question of tackling the dealers' profits—the motivation in the first place — was virtually ignored.

This narrow focus provided enormous freedom for those trying to outwit the authorities. Efforts to stamp out heroin production in Turkey and the "Golden Triangle" (northern Thailand, Burma and Laos) merely pushed the business into Pakistan. Marijuana for the US market, first produced mainly in Mexico, moved into Colombia when the US and Mexican authorities began to crack down. And then in the mid 1970s, when the US authorities became wise to the ways of the Colombian marijuana trade, the Colombian drug barons switched to the less bulky and more profitable cocaine; meanwhile Mexico turned a heroin supplier, now supplying almost 40 per cent of US needs.

But over the past five years, there has been a change in perceptions of the drug problem — albeit far from complete, as senior British and US officials admit.

First, Western governments, led by the US, have realised the need for greater international co-operation and coordination. Fighting drugs can no longer be left to policemen, customs officials and the health authorities. They require the back up of the tax authorities, the legal system and a co-ordinating force.

Second, some, though not all of the drugs-producing country governments have realised the dangers of their permissive attitude towards this illegal industry. The scale of drugs profits has produced a group of individuals with huge power to corrupt, right up to the highest levels of these governments, and so undermine the fabric of society, as well as political stability.

A drug trafficker, held for questioning in Colombia

In the case of Latin America, feeding the profitable US market, the decision to get tough on drugs has been slow and painful. Poorly paid police and military have not been easy to motivate; while the filter effects in the economies of drugs money have been hard to forego. In 1984 one conservative estimate suggested that Colombia unofficially made $2bn from narcotics; Bolivia and Peru each over $1bn and Ecuador $300m.

Third, there has been growing concern of the effects of the drug trade in "transit" countries. This is especially the case of the small Caribbean islands which provide transit points for light aircraft and vessels for the drugs en route to the US from Latin America and whose offshore tax and *financial facilities* permit money laudering.

The countries of the Commonwealth—the Bahamas, Cayman, and Turks and Caicos Islands—have all witnessed drug-related financial scandals. Last year the Prime Minister of the Turks and Caicos, Mr Norman Saunders, and two senior ministers were found guilty by a Miami court on charges of a conspiracy to import drugs into the US. Mr Saunder, in a "sting" operation mounted by the US Drug Enforcement Agency, agreed to be paid off to allow cocaine shipments to transit the islands. In part as a reflection of drug-induced corruption the British Government last month was obliged to resort to a form of direct rule on this dependency.

The Reagan Administration is using a carrot and stick approach with the producing countries. Funds, technical assistance (joint spraying of crops, police training and exchange of information) are provided. But if the administration believes insufficient efforts are being made, then it threatens to withhold financial aid. Such threats have been made at *various times* to Bolivia, *Colombia*, Jamaica, Mexico, Paraguay and Peru. The British Government, on the other hand has adopted a lower key approach without the stick. Britain has now committed £10.8m of overseas aid to drug related projects abroad, of which £3.4m is for a scheme to eradicate opium poppy production in Pakistan.

It is too early to judge whether the new approach is working. At times US pressure is resented and causes counter-productive fraction, most notably in Mexico where the Mexican Government, deploying a quarter of its entire army in the narcotics war, believes its efforts are insufficiently appreciated. The producer governments as a whole, whether in Asia or Latin America, consider the Western consumer countries too willing to shift the blame. Heard in varying forms is the following comment: "They after all are the market, and if there is no market there would be no supply."

It is this demand which the US, and now Europe (especially the UK, have begun to *attack through* advertising and educational programmes.

Evaluating the latest round of anti-heroin advertising, Mr David Mellor, chairman of Britain's Interdepartmental Ministerial Group, said that 98 per cent of teenagers interviewed were aware of the campaign. Those unequivocally rejecting heroin had risen to 94 per cent.

The desire to clamp down on drug profits is the newest element to emerge in the narcotics *battle*. Governments have long hesitated to do this because of worries over interference with bank secrecy or confidentiality. The US has led the way by requiring banks to report individual cash deposits of over $10,000 and by permitting federal authorities access to accounts with suspected criminal associations. The British Government has also now accepted the principle that police and Customs must have access to information held by banks and others about suspected traffickers' financial affairs.

The UK Government has also accepted recommendations from the Parliamentary select committee on home affairs on the misuse of hard drugs, that statutory protection be afforded to banks which volunteer information about clients they suspect of drugs dealing or money laundering. Such protection is also likely to embrace accountants, solicitors and investment advisers. Under the new Drugs Trafficking Offences Bill, due to become law in autumn, assisting a drugs trafficker to obtain or dispose of criminal gains will be punishable by up to 14 years' jail.

The British and US Governments have also been co-operating on the prevention of money-laundering in the Commonwealth Caribbean, which has absorbed a sizeable portion of "narco-dollars." The breakthrough came last year with an exchange of information treaty with Cayman. Similar agreements are now being negotiated with the Bahamas and the Turks and Caicos Islands. *Negotiations have* not been easy, according to officials involved. These small islands depend to a substantial degree on income from being offshore banking centres and tax havens with secrecy their prime attraction.

Already there are signs that hot money has moved out of Cayman, principally to Panama. Now the US has singled out Panama with its strict rules of bank secrecy as the main centre for laundering drug funds. Despite considerable arm twisting, the Panamanian authorities are refusing to accept an exchange of information treaty that would permit investigation of suspect bank accounts. But already the warning signals are up and some of the smarter drug money is understood to be searching for safer places like Nauru in the Pacific.

Undoubtedly closing the money - laundering loopholes, whether at home or overseas, will make life more complicated and less profitable for the traffickers. It is arguably the most hopeful development to emerge amid the frustrations and complexities of the drugs battle.

Man in the News

Sir Godfray Le Quesne

Arbiter of the public interest

By David Churchill

SIR GODFRAY LE QUESNE is one of the most powerful—but probably least known—men in British business. As chairman of the Monopolies and Mergers Commission for the past 11 years, Sir Godfray has been instrumental in helping to shape and direct British competition policy through two governments and seven secretaries of state.

Yet he has studiously sought to avoid personal publicity for his role, only rarely giving interviews or speaking on public platforms. As the final arbiter of whether or not British companies are acting in the public's best interests, Sir Godfray has retained a judicial aloofness as befits a QC who was considered one of the leading commercial silks of the early 1970s.

Despite the MMC chairman's dislike of the limelight, he has not escaped controversy entirely, if only in the business press. Sir Godfray and his fellow commissioners made the news this week, for example, when the commission ruled that one of Britain's largest potential mergers—that between GEC and Plessey—should not be allowed to proceed *because* it was against the public interest.

The group of commissioners —chaired by Sir Godfray—who reached that decision was not totally unanimous. A minority report, from businessman Mr Colin Baillieu, criticised the "excessively purist line" which he said would only "perpetuate the balkanisation of an important sector of British industry."

It was not the first time that Sir Godfray had been unable to secure unanimous approval from his commissioners. In 1977, Sir Godfray found himself outvoted by three to two in a decision preventing the merger between engineering companies Babcock and Wilcox and Herbert Morris.

In 1982, Sir Godfray was again in a minority in the commission's decision to block the proposed Charter Consolidated bid for Anderson Strathclyde. The Government decided—for the first time—to overturn the majority view of the commission and support Sir Godfray's minority view that the merger should be allowed.

That decision led to a major political row and the resignation of *Prof* Andrew Bain *from* the comission. Dr Jeremy Bray, a Labour MP, publicly criticised Sir Godfray at the time for acting "in a high-handed way on a wrong interpretation of the law": Sir Godfray's "eccentric behaviour" had put Government ministers in a difficult position, he said.

Last year, Sir Godfray was forced to use his casting vote—for the first time—in a report investigating the BBC and ITV's monopoly over publication of television programmes. With a split vote of 3-3, Sir Godfray voted to retain the monopoly, arousing much controversy.

Does the criticism worry him? "It would be silly to resent criticism," he says. "With a broad public interest criteria on which our decisions are based, and with a deliberately wide cross-section of views from commissioners, we are bound to get minority reports from time to time. And they are more likely to be on difficult issues."

Only 16 of the 109 reports published by the commission since Sir Godfray became chairman have not been unanimous.

There are those, however, who still hark back to the days of the previous chairman, Sir Ashton Roskill, who by all accounts ruled the commission with a heavier hand and did not favour dissent among his commissioners. But *in those* days the commission was a much smaller body, before its activities were enlarged by the 1973 Fair Trading Act (and subsequently by the 1980 Competition Act).

SirGodfraybe was knighted in the 1980 Birthday Honours—was 50 when he joined the commission in 1974 as the heir apparent to Sir Ashton.

He has no fixed views on the degree of competitiveness or otherwise in British industry—preferring to adopt the judicial approach of case-by-case decision. "I believe our greatest single asset is our total independence from interference from any source—goverument, business, or whatever," he says. "It allows us to reach our decisions based solely on the evidence and not for any other reasons."

Industrialists who have faced Sir Godfray and his commissioners across the table are often less than enamoured with its approach. Its independence is not often queried; what is questioned, however, is the length of time taken by the commission and the cost to companies.

One businessman, who like most prefer to maintain a low profile when publicly commenting on the commission, said that "we were involved for nearly three years with a monopoly investigation and we reckon it cost us the best part of £100,000 in lawyers' fees and direct costs."

Sir Godfray is sympathetic to such complaints but insists that "we must give all interested parties a reasonable chance to provide us with the information we need and they want to give us—in fact, we have a statutory duty *this this*."

Sir Godfray takes issue with critics who say that he and his colleagues are too legalistic.

"Over the years I have seen a greater tendency by companies to involve high-powered legal and other advisers when they come in to meet us," he says. "But it is not strictly necessary since we are not operating court-room type proceedings."

It is unlikely that any government would entirely dispose of a regulatory body such as the commission, although its role and means of operating could very well change in the next few years. An internal Whitehall committee is currently looking at the whole future of competition policy in the UK.

Sir Godfray himself is also at something of a cross-roads. His term of office expires in November and he refuses to be drawn about whether or not he plans — or wants — to stay on. It may be that the lure of finally moving to the bench — his obvious destiny before joining the commission — may prove irresistible.

THE UK ECONOMY

Sitting out the long pause

By George Graham

AFTER DRINKING champagne with Opec on Tuesday, the stock market woke up the next day with a hangover.

Two engineering companies based within a few miles of each other in the West Midlands reminded investors that all was not well in the heartland of British industry.

Guest, Keen and Nettlefolds, whose worse than expected profits on Wednesday helped set the FT Ordinary share index off on a record 33-point fall, rubbed salt in the wound by warning of a bleak outlook for the second half of the year. TI, on Thursday, was less gloomy about the future, but still showed signs that the expected recovery in the British economy was taking longer to develop than had been hoped.

Was the fall in the index to a point 15 per cent below its April peak of 1,425.9 clear evidence, as Mr Roy Hattersley, deputy leader of the Labour Party, claimed on Thursday, of a loss of confidence in the way government is running the economy?

Mr Nigel Lawson, the Chancellor of the Exchequer, argues that the slowdown in the UK economy evident since the second half of 1985 represents no more than what he calls a "pause" in the remarkable growth the UK has enjoyed since the trough of the world recession in 1981-82.

Economic forecasters, for the most part, argue with this analysis and predict much stronger growth in 1987.

"We think this is a pause, not a recession. The great demand-inducing effects of the fall in oil prices will come through eventually," says Professor Alan Budd of the London Business School.

"Demand can always be choked off by higher prices and businessmen just sitting there saying it will not recover, but we don't think that will happen."

A deeper note of pessimism, however, has now crept into the voices of many industrialists. To many, the end to the pause, which Mr Lawson expects soon, is nowhere in sight.

The Confederation of British Industry's quarterly survey of manufacturing companies, published at the end of July, showed a general decline in optimism about business conditions. The onset of gloom was particularly marked for capital goods industries.

Manufacturing output was likely to remain flat over the next four months, the survey found, and export business was expected to come under pressure, with order volumes and prices continuing to fall.

The CBI's message reinforced the evidence of official statistics over the last few months. Industrial production has been weak, while exports have shown little improvement and still lag below last year's levels.

Manufacturing output has fallen steadily since June last year. In the three months from March to May, the latest period for which Central Statistical Office figures are available, output was nearly 1 per cent lower than in the same period of 1985.

Even the consumer goods industries, which have benefited from buoyant spending in the High Street shops, showed only marginally better output than they had done a year earlier.

Export volume — excluding oil and items such as aircraft and precious stones which the Department of Trade and Industry regards as erratic — picked up sharply in the second quarter, gaining 3.3 per cent from the first quarter. This barely made up for the slump in exports between January and March, however, and left volumes below the level reached in the second quarter of 1985.

Some of this evidence may be exaggerated. Mr John Muellbauer of Nuffield College, Oxford, believes that the official figures may have understated manufacturing output by 2 per cent so far this year.

To obtain estimates of output, the Government's statisticians have to deflate the overall value of production by some measure of prices charged. Companies usually report list prices to the Government rather than their actual transaction prices, Mr Muellbauer says.

At a time when raw material prices — especially oil — are falling fast, this can mean that the figures are deflated by too high a price measure, he says.

In addition, consumer spending, on which the Government is relying for overall economic growth this year, has been strong.

There has been some disagreement between the CBI, which with the FT conducts its own survey of retailers and wholesalers, and the official statisticians over the precise pattern of retail sales this year. The two are agreed, however, that sales volume has in general been strong. The official figures show sales in the second quarter were 4½ per cent higher than in the same period of 1985, and the CBI's survey at the end of June also indicates strong sales.

If anyone doubts that a pause has taken place, however, the clinching evidence comes in the resurgence of unemployment. The underlying total of unemployed adults, which rose by an average of 3,100 a month in the second half of 1985, is now climbing again by around 15,000 a month, the Department of Employment says.

The Treasury is not among those who doubt the existence of the pause, but it is fatalistic in its view of what should be done about it.

"The great benefit to oil consumers (which means above all the industrialised world) has so far been felt in terms of higher real income and profitability: the increased activity that this should generate has yet to appear," Mr Lawson wrote to MPs as they left Westminster for their summer holidays at the end of July.

"I believe it will, and before this year is out."

The Treasury argues that the downturn is not peculiar to the UK. The US, Japan and West Germany have all suffered similar hiccoughs in their economic growth. Is there any appropriate domestic policy response, the Treasury asks, when the problem lies in the weakness of world trade?

Economic growth was already slowing in the second half of last year, but the effects were disguised in the spring of 1986 by euphoria over the collapse of the oil market.

Forecasters now admit that they should have realised that the oil exporters would be much quicker to cut their consumption than the oil consumers would be to increase theirs.

Some analysts also argue that there is an additional brake on demand resulting from the oil market's plunge. In an atmosphere of falling prices, they say, consumers are delaying their purchases in the hope of being able to buy more cheaply later in the year.

To the CBI, the position cries out for lower UK interest rates, but to the Treasury, monetary or fiscal expansion now would do nothing about the immediate slowdown. It would not begin to take effect until next year, when the economy would already be picking up. Would an extra stimulus add to real growth in 1987, or simply push up inflation?

Officials point out the dangers of cutting interest rates precipitately at a time when the sterling exchange rate is none too robust.

Even the agreement on oil output cuts earlier this week by members of the Organisation of Petroleum Exporting Countries produced only a modest recovery for the pound. It rose briefly to DM 3.12 from its low point of DM 3.065 earlier in the week, but soon gave up these gains and slipped back to the DM 3.05 to DM 3.06 range.

While the Treasury and the Bank of England have appeared relatively relaxed about letting the pound fall in recognition of lower oil prices, they are not indifferent to the exchange rate.

Indeed, the Bank started buying sterling in the foreign exchange markets on Monday with enough fanfare to indicate that it wanted to make a point.

A stable exchange rate is as good a means as any at the Government's disposal of persuading companies that if they pay high wage increases they will not be able to foot the bill by raising their prices.

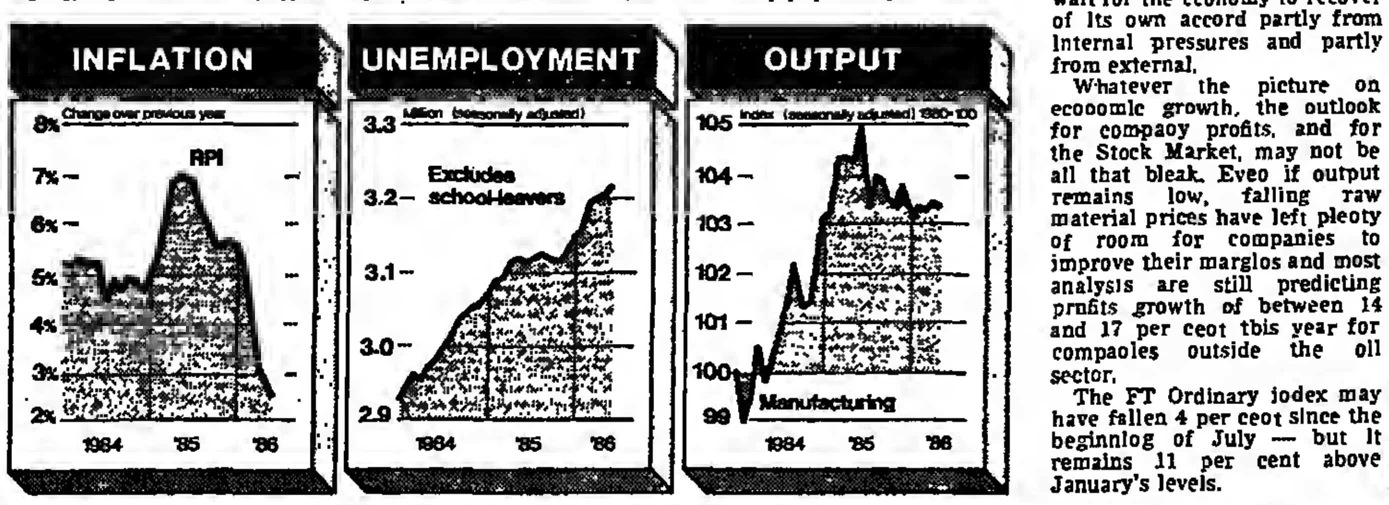
The problem of excessive pay rises has been at the forefront of the Chancellor's concerns over recent months—not surprisingly, since manufacturing industry's wage costs per unit of output in May were 7.3 per cent higher than a year earlier, while the inflation rate had fallen below 3 per cent.

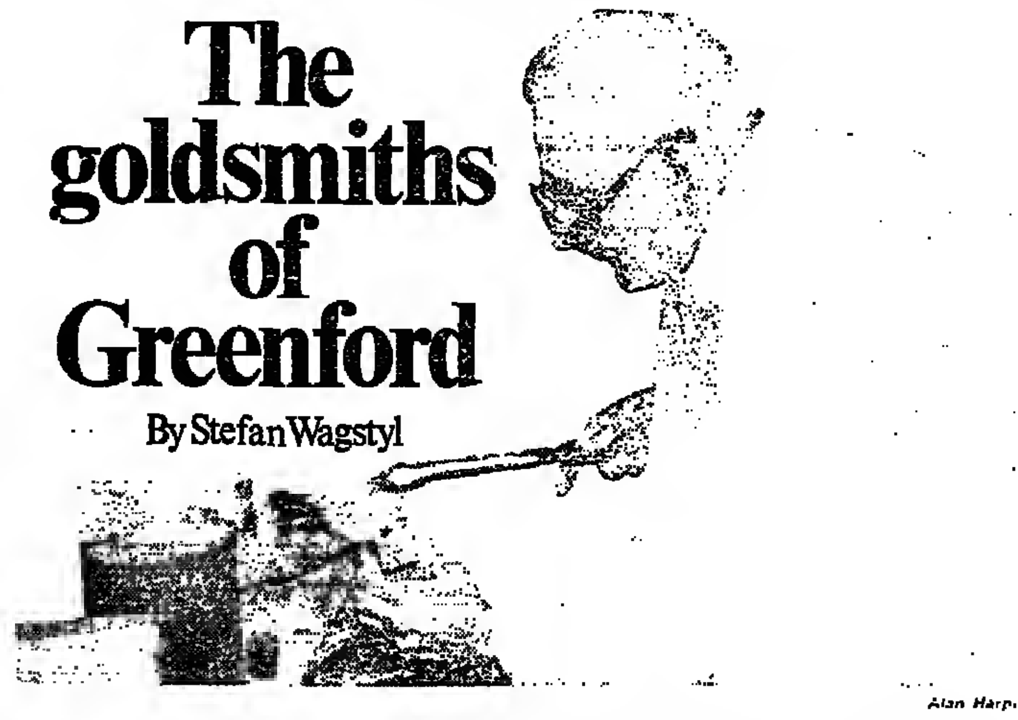
Apart from continuing to denounce employers who concede high pay settlements, there is little left that the Government can do within its overall policy framework.

"They are caught," comments Professor Budd. "They have to wait for the economy to recover of its own accord partly from internal pressures and partly from external.

Whatever the picture on economic growth, the outlook for company profits, and for the Stock Market, may not be all that bleak. Even if output remains low, falling raw material prices have left plenty of room for companies to improve their margins and most analysts are still predicting profits growth of between 14 and 17 per cent this year for companies outside the oil sector.

The FT Ordinary index may have fallen 4 per cent since the beginning of July — but it remains 11 per cent above January's levels.





The goldsmiths of Greenford

By Stefan Wagstyl

Alan Harp

LALJI PATTNI'S family have been goldsmiths for generations. He learnt the craft as a boy in India and started work on his own as a young man in Mombasa. Now he makes gold rings, chains and bangles in the back room of his terraced house in Greenford, Middlesex.

Mr Pattni, 59, (pictured above) who arrived in Britain from Kenya five years ago, is one of dozens of Indian craftsmen, traders and shopkeepers who have turned this corner of North-West London into what is among the fastest-growing gold jewellery centres in the world.

Along with Indian jewellers in other London suburbs, in Leicester, Luton and elsewhere, they supply gold to Britain's Asian community. The market has grown rapidly as immigrants from India and Pakistan and East Africa have found steady jobs, set up businesses and saved enough money to spend hundreds and sometimes thousands of pounds on pieces of jewellery.

The goldsmiths say it is impossible to estimate how much gold Asians buy in Britain, largely because jewellers refuse to talk about their sales figures. But one sign of their success is the number of jewellery shops in Ealing Road, Wembley, the Hatton Garden of the Indian gold trade. Five years ago there was one store, now there are 14 with another opening this month.

Another indication of the way business is growing are numbers published by the Assay Office, which by law is meant to hallmark all gold items sold in the UK. Asians are by far the most important buyers of 22 carat gold in the UK, rejecting the 9 and 18 carat metal which accounts for most of the British market. According to the office, sales of 22 carat gold jumped from 1.8 tonnes in 1980 to 4.3 tonnes last year. This metal was worth some £50m wholesale — the retail value was considerably higher.

Indian appetite for gold is legendary. In the sub-continent, villagers hoard it away in years of plenty to save themselves from ruin in times of poor harvests. Tradition and religion demand that a bride's dowry includes large amounts of gold mostly in the form of jewellery — rings, bangles, necklaces, pendants and earrings.

Mr Pattni's son, Binal, 23, says that gold remains important at Asian weddings in Britain. Cash, furniture, cars and property can all be included in the dowry of a rich businessman's daughter. "But it's not unusual for the bride to take with her a kilogram of gold (worth some £7,500)."

Shopkeepers, accountants, clerks and bus drivers all buy gold, which is mostly worn by the women in the family or stored in bank vaults. The jewellers' counters in Ealing Road have leaflets advertising local safety deposit companies.

Some families take their gold back to India, despite Prime Minister Mr Rajiv Gandhi's efforts to crack down on smuggling, bringing with them jewellery, coins and wafers.

The goldsmiths in North-West London keep in close touch with relatives in India and in East Africa. Many come from the Pattni caste, a grouping defined by family and social origins according to Hindu religion. As well as selling the work of local craftsmen, the Ealing Road shops stock jewellery from Italy, India, East Africa and the Far East, some of it hand-made and some produced in factories.

Asian gold traders have been involved in the massive VA frauds which have plagu the British gold market recent years. Mr Tribhouand Lakha, a wealthy Ealing Ro jeweller, was jailed earlier th year for allegedly mastermin ing a £1.1m VAT swindle.

It would be wrong to sugge that Indian gold traders a more likely than others to implicated in VAT fraud some of the biggest cases ha involved Hatton Garden. B there is a long tradition in t trade of keeping the authoriti especially the tax authoriti as much in ignorance possible.

And the authorities belie that a considerable amount smuggling does go on; inde Mr Lalji Pattni says that in t 1950s, Asian goldsmiths British East Africa would ha had to stop work for lack gold if it had not been smuggled metal.

Meanwhile, the honest jew lery business is clearly v profitable. The Ealing Ro stores are as well appointed many in the West End. Anand Pattni, who owns a sh in Ealing Road and three oth in the Middle East, runs Mercedes. He says quietly tl trade is "not bad."

Moreover, the customers a seem to get a very good d The jewellery sells at a p mium to the market price gold which is fixed at about per cent plus a labour cha which is rarely more th another 10 per cent—and subject to negotiation with customer—plus VAT. H street jewellers, who typic charge premiums of 200 cent or more, had better careful that the Pattnis do turn their attention to th market.

Letters to the Editor

Measuring life companies

From Mr W. Anderton

Sir, — Eric Short's article "Measuring life companies' strength" (July 28), highlighted the difficulties in judging strength, especially by the use of a single factor.

The whole subject is complex, although the basic life assurance concept could not be easier, ie, in exchange for a regular annual premium a payment is made on death. In spite of all the many rules, regulations and jargon involved in life assurance, however, the main problem is that a "value" has to be placed on a company's ability to "cope" with future trading — not an easy assessment because of the many variables involved (investment returns, mortality rates, probability of payment of premiums, inflation, etc).

The United Kingdom Provident Institution's problem was not an inability to meet future guaranteed payments, but a doubt as to its ability to carry on trading at the current expectations of with-profit policyholders (both existing and new).

The financial strength of a life company is its ability to meet not only guaranteed payments (ie, solvency) but also the projected expectations of policyholders whether these be bonus levels or other variable factors.

Actuaries are well placed to make an assessment of the value of future income and outgo — and not just for life assurance companies but also any company involved with contracts or liabilities (eg, guarantees) extending several years into the future. They are not, however, in this role in control of the factors involved, be these economic (in the hands of the Government) or commercial (in the hands of the company's management).

Nick Anderton.
Anderton Kemp-Gee,
134, High St, Dorking, Surrey.

Using retail information

From Dr M. Uncles.

Sir,—Several remarks were made about new technogoy in your survey on retailing (July 30). While the development of hardware is certainly important I would suggest that soft issues deserve more attention. In particular, what should retailers do with the piles of information that they gather when a scanner or EPOS system is installed?

Managers are already using the information to monitor stock levels, reorder goods and allocate shelf space. These data can be useful in the study of people's shopping behaviour. Patronage at shops is predictable and so. Moreover, when buying from a single product field shoppers are rarely 100 per cent-loyal to one shop or even to one chain. This remains true across groups of stores, like the Co-Op, and for single operators such as Tesco and Sainsbury.

Once a manager has studied the information it is essential that others in the business are kept informed, and this too needs to be carefully thought about when installing a new system. If we can get these soft issues right then the technology will prove its worth as an investment, to meet the needs of shoppers, rather than as a somewhat negative exercise in cost cutting.

(Dr) Mark D. Uncles,
London Business School,
Sussex Place, N.W.1.

Citizens abroad

From Mr J. Harrington

Sir,—I am a British citizen who has lived in New York for nine years. Prior to that I lived in the Westminster constituency for six years and before that in Holborn. While I have a general interest in the political situation in England, I do not think I have any real grasp of the specific political problems of either of the constituencies I lived in since attaining majority. I suspect that this lack of a grasp of local issues is common to most who have lived outside England for any period of time.

Rather than allowing proxy voting in one's most recent constituency for citizens living outside the UK, I would suggest that parliamentary seats be established that would represent citizens not resident in the UK. The simplest concept would be to have six such constituencies covering UK citizens living in Africa, N. America, S. America, Asia, Australasia and Europe. This would provide representation to citizens living abroad by MPs with far greater likelihood to represent their interests than would be the case with MPs chosen by one's most recent UK constituency of residence. If the numbers of citizens living in any one continent was substantial, then the number of MPs could be increased accordingly —in proportion to the population to be represented compared to the average population represented by a UK constituency.

European Parliament elections could be better achieved by making the right to vote a function of residence within, rather than citizenship of, a particular country or constituency. This would exclude those not resident in Europe from voting in European Parliament elections. Such a provision should be uniformly applied by all EEC members.

Jan R. Harrington,
PO Box 746,
GPO,
New York, NY 10001.

Young people's wages

From Mr C. Pond and Mr R. Smail

Sir,—There are some rather important facts that Mr Jenks (August 5) appears to overlook: since the late 1970s the real and relative wages of young people have fallen. Yet youth unemployment has doubled over the same period.

These facts do not square easily with the assertion that "if an outside body intervenes to raise wage rates then jobs will not be available to young people." The assertion (for it is no more than that) assumes a freely operating market, in which labour and employers meet on equal terms and in which the market settles at the point where the wage is equal to the "marginal revenue product of labour."

That is not the case in the present youth labour market, in which young people have few choices between jobs and employers find themselves in a "buyer's market"; they are able to pay wages below the value of the work performed. In these circumstances, the imposition of institutional wage controls helps to raise the wage closer to the level justified by the productivity of the workers concerned. By reducing the undervaluation, and therefore misuse, of labour it increases economic efficiency and employment as well.

Mr Jenks makes the mistake of viewing the economy as if it were a single firm, able to gain advantage by cutting labour costs. But this competitive cost advantage is quickly lost if other firms follow suit. In the spiral of wage undercutting that ensues, efficiency and long term employment both suffer. No doubt this is why the CBI found "little enthusiasm for the suggestion that all young workers should be excluded from coverage by wages councils."

Chris Pond (Director)
Robin Smail (Research Officer)
Low Pay Unit,
9, Upper Berkeley St, W1.

Change the VAT system

From Mr R. Apsion

Sir,—Mr Ebrabimi (August 4) has the attractive idea that suppliers should only charge VAT to customers who are not registered for VAT. This suggestion has been floated every year since 1973, sometimes in your paper, but ignores the facts.

Many VAT-registered companies are partially exempt, and are only entitled to claim part of their purchases for input tax.

There are many types of goods and services on which VAT cannot be re-claimed (most cars) or only by some traders, depending on the purpose for which they are bought.

Customs officers would have to spend much more time checking the destination of goods, and retailers would be tempted not to declare purchases or sales, since they would have no input tax to claim.

Robert Apsion,
17, Gonghill,
Guildford, Surrey.

Aptitude tests

From Mr P. Oppenheimer.

Sir,—Michael Dixon, reporting (August 2) on forthcoming research into aptitude tests for selecting mature students, takes the opportunity to condemn A levels as a selection mechanism for 18-year-olds on the grounds that it is "expensive" and a "poor predictor of performance in degree examinations," and above all that aptitude tests are generally used for this purpose in the United States.

His arguments are extremely weak. A perfect correlation between A-level grades and subsequent academic performance at University is not to be expected: young people's talents, application and intellectual development are not solidified in concrete at the end of their sixth-form career. As it happens, some investigations have found the correlation to be quite high enough. But in any case one cannot isolate the university-selection function of A level from other functions. Grades at A level, O level, GCSE etc. are also a measure of academic achievement for abler pupils who do not go on to higher education; and this in turn is related in various ways to the structure and achievements (or lack of them) of the English school system as a whole.

The Americans rely on aptitude tests for picking University students not from choice, but because they have been driven to it by lack of a decent system of school-leaving examinations. In these circumstances we can arguably learn a lot from the American University system, and especially its graduate training—but next to nothing from American secondary schools, which are a quasi-disaster. Our mentors in the latter domain should be our Continental neighbours, with those not-so-new-fangled aptitude tests, the *baccalauréat* and the *Abitur*, standing at the apex of school systems whose average standards are shown by overwhelming evidence to be superior to ours.

Peter M. Oppenheimer,
Christ Church,
Oxford.

Dual resident companies

From Mr F. Hayes

Sir,—I was very disappointed to read Mr Clive Wolman's article (August 4) and his assertion that dual residents are causing a "leakage" of tax of the order of £200m or £300m a year. In the same sentence he compares the dual resident companies with offshore roll-up funds and elsewhere states that they are only established to avoid tax.

Mr Wolman should have paused to enquire why the Chief Secretary of the Treasury was persuaded not to collect an easy £200m in tax simply by closing what he asserts to be a tax avoidance scheme. Given the pressures on public finance since 1979 which no reader could have failed to notice is it likely that Mr John Moore, lobbyists or no lobbyists, would have passed over this opportunity? Had the right question been asked Mr Wolman might have discovered that the "persistent lobbying" to which he refers was to the effect that enactment of the Inland Revenue proposals would not have resulted in any gain to the Exchequer and would quite possibly have resulted in a loss. To understand why one has to examine the likely pattern of financing investment both ways if dual resident arrangements are not used.

F. B. Hayes,
Coopers and Lybrand,
Plumtree Court EC4.

UK COMPANY NEWS

Management pays £27m for Glaxo subsidiary

BY TONY JACKSON

Glaxo is selling its Evans Medical subsidiary to a management buyout team for £27m. The deal marks the virtual completion of Glaxo's strategy of turning itself into a purely prescription drug company.

Evans, which has sales of £30m and profits believed to be between £2m and £3m, makes what Glaxo terms "commodity generic" drugs. These products, around 500 in number, range from bulk aspirin for sale over the counter to out-of-patent prescription drugs such as antibiotics. Unlike the bulk of Glaxo's business, whose sales are to doctors, Evans sells to pharmacists.

Glaxo's recently declared policy of concentrating wholly on prescription drugs has led to a number of disposals, the most awkward of which was the sale to Boots of the Farley baby food business at the turn of the year, disrupted during negotiations by an outbreak of salmonella poisoning traced to Farley products.

Evans did not fit in with the strategy partly because of its non-prescription sales, but also because its business is almost wholly UK-based. It has exports of around £4m, but no base outside the UK.

Glaxo emphasised yesterday that the sale of Evans did not imply that it was withdrawing from the sales of generic (out-of-patent) prescription drugs, although generics forced an insignificant part of the business worldwide.

"It is part of our corporate purpose to be in generics," Glaxo said. "We would want to support products of our own whose patents have expired, and there might also be other people's out-of-patent drugs which could be developed by improving the formulation or delivery."

The last remnants of non-prescription drug business in the Glaxo empire are Farley food products in overseas subsidiaries. "Our objective would hopefully be to sell these, but they're very small," Glaxo said.

Rea Bros. returns to profit at midway

Rea Brothers, which was plunged into losses in 1985 because of problems at a Dutch associate, yesterday reported an increase in interim pre-tax profits from £566,000 to £814,000.

The company, the smallest of the UK's accepting houses, said it was confident that there would be no need for any further provisions in connection with the Dutch associate, Amsterdell.

Once Rea has received the proceeds from its recently announced £8m rights issue and effected a group reorganisation, it says it will concentrate on exploiting the strong position in the private banking market.

Mr Bill Dacombe, the chairman, said yesterday that he had every confidence that the success that the business achieved for the first six months of 1986 would be maintained.

First half earnings per share improved from 2.02p to 3.62p. When the reorganisation has been completed and Rea Brothers Group, the new holding company, has the requisite distributable reserves, the board intends to declare an interim dividend of 0.45p—this is the same as declared by Rea Brothers for the first half of 1985.

The rights issue, which has been underwritten and closes on August 29, has been made on the basis of three £1 convertible preference shares for every 10 ordinary, or bank ordinary shares at 105p each.

Rea says in its formal rights document, published yesterday, that the capital raised will help the bank's resources,

Tip Top rises 65% to £1.3m

Tip Top Drugstores, which recently obtained a full listing, yesterday announced a near 65 per cent increase in full year taxable profits to a record £1.28m.

The company's shares, which were heavily oversubscribed at 166p, rose after the announcement to 190p before closing at 183p, down 5p.

Mr F. H. Brown, the chairman and managing director, said that the group made excellent progress over 53 weeks to end-May 1986, and more store openings were planned.

Group turnover for 1985-86 advanced from a little less than £27m to £29.75m, generating a higher trading profit of £1.23m against £788,000. Net interest receivable totalled £51,000 (payable £11,000).

After tax earnings were £770,000 (£414,000), equal to 7.62p (4.14p) per 10p share. As forecast there is no dividend.

Mr Brown said that further increases in turnover were expected as the store network continues to expand in Scotland, the north west and the Midlands.

● COMMENT

When a company comes to the market only five weeks before the end of its financial year, one can be fairly certain that it will meet its profits forecast and Tip Top duly topped its £1.25m target. More stores are coming on tap each month with 100 likely by the end of this year providing the main engine of volume growth. New openings will be confined to north of a line from Birmingham to the Wash and Tip Top will attempt to consolidate its hold on Scotland and the north before it ventures to cater for Southern tastes. The new central facilities at Wetherby will give the company capacity for 350 stores. With the battle joined between Boots, the independent chemists, the supermarkets and the self-styled drugstores for the toiletries market, margin improvements are only likely to come from the introduction of own-label brands. Tip Top is thus hoping to increase the proportion of own-label sales from 15 per cent at the end of last year to 20 per cent this year with 30 per cent the long term target. On profits of £1.9m for this eayr, the shares at 183p are on a prospective p/e of 18, comparable with Superdrug, Tip Top's nearest rivals.

Lonrho forces Fraser to delay share buying plans

BY CHARLES BATCHELOR

Lonrho, the international trading and mining group headed by Mr Roland "Tiny" Rowland has forced House of Fraser, the department stores group acquired last year by the Egyptian Al-Fayed family, to delay its plans for buying in its outstanding preference shares.

The continued existence of Fraser's preference shares—in one class of which Lonrho holds a 12 per cent stake—means Fraser must continue to send out annual reports to Lonrho and other shareholders and make public more of its affairs than it might wish.

Fraser announced the continuing wrangle over its preference equity yesterday, at the same time revealing an effective decline in pre-tax profits with £50.5m in the 66-week period ended May 1986 against £48.2m in the preceding 12 months.

Fraser had hoped to carry out a reduction of its share capital by early July, but Lonrho, which has a 12 per cent holding in its 5.25 per cent preference shares, challenged the way Fraser had gone about the matter.

The stores group won the approval of its shareholders for the capital reduction at an extraordinary meeting in June and presented its petition to the court of session in Scotland for confirmation of the move.

Lonrho intervened to argue that the capital reduction required the consent of the holders of 75 per cent of the nominal value of each of the three classes of preference capital or the passing of an extraordinary resolution at a separate meeting of each class.

Lonrho had argued that the Scottish court should not confirm the reduction since the matter had not been considered by each class of preference shareholder separately, Fraser said.

Fraser added that its legal advisers disputed this view and the matter will be settled by the court. A hearing has been fixed for October 9 and 10, the earliest dates available.

For the 66-week period Fraser had a turnover of £1.29bn against £930m for the year ended January 26 1985. There was a tax credit of £2.5m (£20.2m charge) and earnings per share came out as 34.5p (18.2p). The dividend for the period is 12.5p (6.25p).

The group's year end has been changed to May 3 1986 to conform with the accounting reference date of its holding company. The effect of this means that the group's quietest trading quarter, from February to April, has been included twice in the 66-week period.

Conder profits jump as recovery continues

THE RECOVERY at Conder Group, the steel-framed buildings concern, continued in the first half of 1986 with pre-tax profits improving by almost three times to £576,000, against £204,000. The shares rose 23p to close at 120p, a high for the year.

However the directors of the Hampshire-based company said that the result was still adversely affected by residual losses in some areas. They added that the outlook was improving and that the results for the second half should be much better than for the first.

Turnover was lower at £55.51m (£58.47m) and earnings per share came out at 6.4p, against 2.2p. The interim dividend has been doubled to 1.5p. Last year there was a total payment of 1.75p on pre-tax profits of £502,000.

The directors added that further progress was made in Iraq in securing cash payments and the cancellation of performance bonds. They expected that no more provisions would be necessary.

The tax charge was £50,000 (£24,000), leaving net profits at £526,000, against £180,000 last time.

Laurence Gould at £172,000

Laurence Gould & Company, the USM-quoted consultant in agriculture and agro-industries, yesterday reported first half taxable profits of £172,000, against £209,000 which included a non-recurring exceptional exchange gain of £72,000.

Excluding last year's exceptional item, taxable profits showed a rise of 26 per cent.

Turnover for the first six months of 1986 rose from £2.99m to £4.03m and trading profits rose from £173,000 to £205,000. Earnings per share were 4.59p (6.23p) and the interim dividend is 1.5p (1.4p).

Mr Laurence Gould, the chairman, said that both UK business and UK-based international activities showed substantial profit uplifts. But he warned that the company was experiencing a temporary imbalance in the turnover and profitability of its Belgian subsidiary Agror. Action is being taken at Agror, which has suffered reduced margins as a consequence of competition, and Mr Gould is confident that its position will return to normal by the year-end.

Chemist planning to join USM

BY ALICE RAWSTHORN

Lloyds, a Midlands-based chain of retail chemists, is formulating plans to join the Unlisted Securities Market in early autumn.

The company, which was formed in 1973, operates a group of 97 retail chemists spread across the Midlands. In its last audited financial year, to June 30 1985, Lloyds produced pre-tax profits of £713,000 on turnover of £15.5m. In the year to June 30 1986 it expects to have made £900,000 on £18.5m.

Lloyds is now diversifying into drug stores and the capital raised by the flotation will be ploughed back into the company in order to finance its diversification plans.

"We are a young management team and are keen to explore opportunities for growth," said Mr Dick Turner, Lloyd's commercial director. "There is only so far you can go as a private company and going public will give us more scope for further expansion."

Plans for the flotation are now being finalised with Lloyd's stockbrokers, Panmure Gordon.

The company has yet to decide whether to go public through a placing or an offer for sale. According to Mr Turner the board is keen to float before Big Bang in October, however, and early October has been pencilled in as the likeliest flotation date.

The USM already sports one retail chemist in Share Drug Stores. Although the retail chemist sector has attracted attention over recent months through the flotations of Underwoods and Tip Top Drug Stores on the main market.

Goldsmiths higher

The present year has started well at Goldsmiths Group, Mr Jurek Piasecki, chairman and chief executive, told the annual meeting. The jewellery division was experiencing good trading and should show a considerable improvement on last year but Heritage Hotels' sales were lower because of American cancellations. Remedial action in the insurance division stemmed the decline seen in the first few months of the year, he added.

Recovery by Youghal Carpets

Youghal Carpets yesterday released two result statements; one for the 1985 year showing higher losses, and the other for the first half of 1986 showing a return to profits.

Losses in the 1985 year rose from I£1.33m to I£1.44m (I£1.31m), with margins continually under pressure in all markets. The group, which is based in Cork, is a carpetmaker, spinner and dyer.

Although the group's financial difficulties continued during 1985, the directors believe this trend has been reversed in the current year. This would not have been possible without continuing support from the banks and Foir Teo which agreed new financial packages and provided additional loan facilities.

The company said that it was successful in achieving objectives set in 1985, which resulted in the return to profitability. Taxable profits for the first six months of 1986 were I£23,000 against losses of I£497,000, attained on turnover of I£21.76m (I£22.11m).

No dividend was declared in respect of the 1985 year or the first half of 1986.

Retained losses for 1985 amounted to I£1.33m (I£989,000).

Alliance Trust asset increase

AFTER TAX income rose by 24 per cent, from £5.61m to £7.51m, in the six months to end-July 1986, at Alliance Trust. Its net asset value at that date was £10.29 against 901p six months earlier, and is the highest for any six monthly period reported.

The directors of Alliance, Dundee-based investment trust, are lifting the interim dividend by 1.5p to 7.5p. For the year ended January a total of 20.75p was paid.

They said they intended to widen the dividend reinvestment scheme to include savings plans for stockholders which would comply with the Government's proposals for personal equity plans, and provide some tax advantages to participants.

The US portfolio performed particularly well the directors said. There had also been a significant contribution, in market and currency terms from Japan.

Alliance holds substantial investments in the US in telephone companies' electric utilities and the drug industry and large individual holdings include Philip Morris and IBM.

In the UK, Shell Transport had proved resilient so far to the collapse in world oil prices and an above average weighting was held in bank and property shares, they stated.

Equity holdings had been reduced by £11m in the US and substantial profits had been realised in the UK from several holdings involved in takeover bids.

The directors added that in the expectation of further falls in US interest rates, £30m had been invested in US government bonds. A further 5 per cent was held in cash deposits, mainly overseas.

After tax of £3.79m (£3.2m), earnings per unit worked out at 14.83p (11.07p).

IBC makes £2.6m acquisition

BY PHILIP COGGAN

International Business Communications (Holdings), the specialist publishing and conference group, has announced the acquisition of International Insider Publishing for £2.6m in cash, with a deferred consideration of £900,000 dependent on profits performance.

Plans are also under way to buy a 72 per cent stake in Agra Europe (London), another specialist publishing company.

International Insider mainly produces a weekly newsletter and a screen service covering the Euromarkets. Last year, it achieved pre-tax profits of £215,000 on turnover of £597,000.

Agra Europe produces newsletters and a screen service on European agriculture, particularly focusing on the Common Agricultural Policy. Total consideration for the Agra stake is likely to be £470,000, consisting of 45 per cent cash and 55 per cent IBC shares.

The IBC group was created in November 1985, when Oyez IBC reversed into RTD, a listed Irish engineering group. In April, IBC acquired Stonebart Publications for £2.5m and Michael Bell, chief executive, said yesterday that the company intended to continue growing both organically and by acquisition.

Meggitt attacks Bestobell claim

Meggitt Holdings, the engineering group which is making an £84m takeover bid for Bestobell, yesterday resumed its offensive with an attack on the sharply-higher profit and dividend forecasts made by Bestobell.

The Bestobell forecast of a bell on Wednesday. 93 per cent rise in 1986 profits to not less than £9.5m relied on non-recurring exceptional items of £1.1m and was further inflated by an artificially low tax charge.

The apparent improvement in the first half result of Bestobell was due in large measure to a reduction in interest charges rather than any fundamental improvement, Meggitt charged.

Bestobell's forecast of a 150 per cent rise in its dividend to not less than 15p marked a return to past policy of over-distribution which had retarded investment, it added.

Eleco forecasts growth

Eleco Holdings, the construction and electrical engineering company, currently fighting off a bid by Whitecroft, has forecast a "good increase" in pre-tax profits for the year ending June 30 1987. Profits for 1985-86 are estimated at £3.7m.

In addition the directors were not prepared to make a definite profits prediction, they have forecast that total dividends this year will be not less than 5.5p per share, an increase of 19.5 per cent.

The electrical engineering division is expected to be the star performer, thanks to the recent reorganisation of the Romford factory, while the construction division is expected to "make progress." The tax charge will nudge up to 35 per cent from last year's estimated 33 per cent.

Whitecroft launched its £25m all-share bid for Eleco on June 24. On August 6, it reported total acceptances of 1.7 per cent and the closing date for the offer has been extended to August 20.

Greycoat on offensive

Greycoat Group, the property company which has made a £107m takeover bid for Property Holding and Investment Trust yesterday hit back at the arguments advanced by PHIT in the defence document sent to shareholders earlier in the week.

Mr Geoffrey Wilson, Greycoat chairman, refuted PHIT's claim that it had an accelerating development programme, pointing out that at least two of its properties had been on the programme for 10 years and building had yet to begin.

In response to PHIT's attack on the valuations of Greycoat's properties, Mr Wilson said the company used four outside valuers working in accordance with the guidance notes of the Royal Institution of Chartered Surveyors.

First closing date on the Greycoat offer is Tuesday, August 12.

Ewart New

Ewart New Northern, the commercial and industrial property developer, achieved taxable profits of £150,036, against £103,551, for the year to end-April, 1986.

Earnings per share were 4.12p (2.86p). The final dividend is 1.1p (1p adjusted) for a 1.6p (1.5p) total.

Tex purchase

Tex Holdings, Essex-based maker of industrial abrasives, has made its second acquisition in a week. It is buying AK Precision Mouldings for £1.05m, satisfied by the issue of 844,310 new shares, of which 759,879 are being placed at a price of 125p.

AK makes plastic components for industrial and consumer markets and in the year to April 30 1986 made pre-tax profits of £200,065 on turnover of £1.74m.

Earlier in the week Tex acquired Techponine

J. W. Spear in loss at halfway

J. W. Spear & Sons, toys and games manufacturer, reported a pre-tax loss for the first half of 1986 of £80,000 against a profit last time of £35,000. However Mr Francis Spear, chairman, said that with the highly seasonal nature of the toy trade the result should not be taken as an indication of the outcome for the year.

Turnover rose from £3.23m to £3.54m giving an operating loss of £32,000 (£93,000 profit). The pre-tax figure was struck after interest charges of £48,000 (£58,000).

There was a tax credit of £30,000 (charge £14,000) to give a loss per share of 1.2p, against earnings last time of 0.5p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Alliance Tst ....int	7.5	Oct 17	6	—	20.75
Conder Group ....int	1.5	Oct 10	0.75	—	1.75
Ewart New Nth	1.1	—	1	1.6	1.5
Laurence Gould ......int	1.5	Sept 26	1.4	—	3.6
Scot & Mercantile	15.5	Sept 30	10.5	22.5	14

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

ACEC (Ireland)

ACEC (Ireland), Waterford-based electrical machinery manufacturer, reduced its trading losses in 1985 from I£359,000 to I£87,000 (£79,000), and after lower redundancy costs of £48,000 against £64,000, the pre-tax loss fell from £423,000 to £135,000.

The directors said steps were being taken to reduce operating costs in all areas, and they continued to seek greater productivity with a view to improving prospects.

After a tax credit of £27,000 (£20,000) losses worked through at £108,000 (£403,000), or 1.36p (4.56p) per share.

Scot. & Mercantile

Higher net profits of £1.53m, against £748,000, were attained by Scottish and Mercantile Investment, an investment trust, over the year to end-March, 1986.

Net asset value at the year-end has risen to 468.2p per 25p ordinary share compared with 347.5p a year previous. At the end of last month net asset value was 474.6p.

The final dividend is 15.5p (10.5p), lifting the total from 14p to 22.5p.

Sedgwick purchase

Sedgwick Group's North American retail operating unit, Fred. S. James & Co., has entered into an agreement to acquire The Armistead Group, of Nashville, Tennessee.

The consideration, which is subject to certain conditions, will be a maximum of $32.5m (£22m) which will be satisfied by a combination of cash and future satisfaction of outstanding debt.

Armistead, with net tangible assets of $1m, had revenue of $11.7m in 1985. It is projecting revenue of $14.4m in 1986 and pre-tax income of $4.5m.

Commenting on the acquisition, Mr C. M. Mosselmans, chairman of Sedgwick, said: "This acquisition significantly increases our presence in the southern United States and is a continuation of the planned expansion of our activities in North America."

Turner and Newall

The proposed acquisition by Turner and Newall of A E is not to be referred to the Monopolies and Mergers Commission.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday August 8 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Thurs August 7 Index No.	Wed Aug 6 Index No.	Tues Aug 5 Index No.	Year ago (approx.) Index No.	1986 High	1986 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (213)	671.35	−0.1	9.13	3.59	13.95	10.59	672.05	681.27	693.60	513.13	753.28 30/4	567.56 14/1	753.28 30/4/86	50.71 13/12/74
2	Building Materials (26)	767.93	+0.6	9.22	3.76	13.64	12.01	763.57	770.43	776.95	527.87	844.79 4/4	613.05 23/1	844.79 4/4/86	44.27 11/12/74
3	Contracting, Construction (31)	1182.07	+0.5	8.04	3.84	16.99	18.95	1176.58	1187.29	1188.17	807.57	1280.78 2/7	911.88 23/1	1280.78 2/7/86	71.48 2/12/74
4	Electricals (12)	1744.54	—	9.03	4.39	14.51	34.65	1744.40	1755.20	1791.93	1347.38	2092.98 21/4	1530.83 2/1	2092.98 21/4/86	84.71 25/6/62
5	Electronics (38)	1508.60	−1.2	10.02	2.84	13.30	22.95	1527.27	1554.18	1594.82	1434.38	1794.13 30/4	1387.58 24/1	2049.05 13/11/84	1229.81 8/10/85
6	Mechanical Engineering (61)	373.83	+0.1	10.38	4.38	12.27	6.76	373.44	378.54	385.49	280.06	422.95 18/4	316.63 23/1	422.95 18/4/86	45.43 5/1/75
8	Metals and Metal Forming (7)	323.64	−0.7	9.37	4.22	13.59	5.18	326.08	329.72	334.24	199.73	380.80 2/7	241.87 2/1	380.80 2/7/86	49.65 6/1/75
9	Motors (16)	273.79	+0.6	9.65	3.58	12.10	3.78	272.26	275.95	289.24	155.21	322.48 3/7	286.50 14/1	322.48 3/7/86	19.91 6/1/75
10	Other Industrial Materials (22)	1201.00	—	6.99	3.30	17.23	17.26	1200.50	1221.26	1237.15	895.80	1347.13 3/4	995.49 21/1	1347.13 3/4/86	277.55 15/1/81
21	CONSUMER GROUP (182)	874.18	+0.1	8.21	3.39	15.33	12.66	873.50	881.71	889.76	665.42	968.16 3/4	739.82 14/1	968.16 3/4/86	61.41 13/12/74
22	Brewers and Distillers (22)	871.68	−0.8	9.94	3.68	12.32	12.50	879.13	890.39	902.08	632.57	989.31 30/6	764.25 14/1	989.31 30/6/86	69.47 13/12/74
25	Food Manufacturing (22)	658.70	+0.1	9.40	3.97	13.96	12.20	657.77	664.35	668.63	486.60	702.63 4/4	549.51 14/1	702.63 4/4/86	59.67 11/12/74
26	Food Retailing (15)	1763.43	+0.5	6.61	2.95	20.84	16.13	1755.35	1780.75	1789.94	1585.68	1976.34 14/4	1629.03 21/1	1976.34 14/4/86	54.25 11/12/74
27	Health and Household Products (10)	1462.08	−0.4	5.75	2.37	20.54	11.74	1467.76	1473.05	1494.67	1072.94	1651.15 17/4	1175.61 14/1	1651.15 17/4/86	175.38 28/5/80
29	Leisure (28)	883.12	−0.1	8.14	4.09	16.08	19.23	884.40	887.74	899.44	641.65	968.51 2/4	731.17 24/1	968.51 2/4/86	54.83 9/1/75
32	Publishing & Printing (14)	2419.81	−0.1	7.92	4.13	16.31	48.48	2421.69	2423.93	2432.49	1770.03	2655.71 4/7	1834.16 9/1	2655.71 4/7/86	55.08 6/1/75
33	Packaging and Paper (14)	448.37	+0.6	7.37	3.55	17.70	6.75	445.52	448.06	455.17	349.04	495.35 1/7	362.52 9/1	495.35 1/7/86	43.46 6/1/75
34	Stores (38)	827.74	+0.4	7.16	3.03	18.97	10.49	824.69	831.25	836.06	666.75	984.64 3/4	707.79 23/1	984.64 3/4/86	52.63 6/1/75
35	Textiles (17)	505.28	−0.1	10.33	3.83	11.22	8.94	505.66	517.49	520.40	316.56	574.78 1/7	375.50 14/1	574.78 1/7/86	62.66 11/12/74
36	Tobaccos (2)	1082.06	+1.8	13.87	4.52	7.97	20.60	1062.74	1081.65	1059.99	809.66	1229.63 11/4	873.47 9/1	1229.63 11/4/86	94.34 13/6/62
41	OTHER GROUPS (88)	731.33	−0.5	9.21	4.32	13.99	13.53	734.88	737.79	747.88	675.38	859.53 4/4	696.16 21/1	859.53 4/4/86	58.63 6/1/75
42	Chemicals (20)	903.53	−0.5	9.70	4.58	12.55	19.49	908.36	906.49	907.77	679.76	955.30 14/3	729.24 14/1	955.30 14/3/86	71.20 1/12/74
44	Office Equipment (4)	229.61	−1.2	8.10	4.61	14.94	4.65	232.42	235.45	238.66	198.74	281.13 9/5	205.37 23/1	281.13 9/5/86	45.34 2/1/75
45	Shipping and Transport (13)	1423.27	−0.2	8.14	4.39	15.57	28.44	1426.16	1441.15	1450.77	1169.07	1677.64 3/4	1316.35 14/1	1677.64 3/4/86	90.20 29/6/62
47	Telephone Networks (2)	751.20	−1.2	11.43	4.89	11.96	16.67	760.15	761.48	782.99	872.60	1050.03 4/4	741.46 24/7	1050.03 4/4/86	517.92 30/11/84
48	Miscellaneous (49)	997.74	+0.3	6.85	3.46	18.28	11.84	994.78	1003.03	1012.04	821.66	1108.24 3/7	866.26 9/1	1108.24 3/7/86	60.39 6/7/75
49	INDUSTRIAL GROUP (483)	794.41	−0.1	8.68	3.66	14.63	12.52	795.22	802.55	812.59	635.36	889.80 3/4	691.89 14/1	889.80 3/4/86	59.01 13/12/74
51	Oil & Gas (17)	1219.51	−0.2	16.76	7.34	7.14	41.46	1222.56	1226.02	1251.71	1143.58	1251.71 5/8	1093.63 20/2	1251.71 5/8/86	87.23 29/5/62
59	500 SHARE INDEX (500)	831.22	−0.1	9.59	4.07	13.09	14.81	832.21	839.28	850.57	678.03	917.63 3/4	727.53 14/1	917.63 3/4/86	63.49 13/12/74
61	FINANCIAL GROUP (117)	575.02	—	—	4.70	—	11.26	574.92	580.95	586.80	475.91	629.86 4/4	507.50 14/1	629.86 4/4/86	55.88 13/12/74
62	Banks (7)	612.29	+0.6	20.00	5.85	6.86	14.03	608.49	621.69	626.88	473.98	707.33 20/3	517.21 5/2	707.33 20/3/86	62.44 12/12/74
65	Insurance (Life) (9)	817.29	+0.3	—	4.57	—	17.27	814.46	815.78	825.40	739.20	913.47 7/7	765.18 23/1	913.47 7/7/86	44.88 2/1/75
66	Insurance (Composite) (7)	461.09	+0.3	—	4.51	—	9.46	459.74	458.78	472.72	376.28	525.13 14/4	403.56 2/1	525.13 14/4/86	43.96 13/12/74
67	Insurance (Brokers) (9)	1167.36	−0.3	8.95	4.09	14.61	23.40	1170.99	1184.84	1197.76	1096.08	1315.27 12/2	1139.48 13/6	1315.27 12/2/86	65.86 16/12/74
68	Merchant Banks (12)	324.47	+0.4	—	3.69	—	4.56	323.07	327.35	324.49	225.53	390.22 1/7	277.36 24/1	390.22 1/7/86	31.21 7/1/75
69	Property (50)	747.57	−1.7	5.79	3.68	22.85	10.95	760.38	769.16	770.89	640.28	807.14 11/7	635.84 23/1	807.14 11/7/86	56.01 20/4/65
70	Other Financial (23)	330.94	+0.3	8.80	4.67	14.17	5.98	329.86	332.30	332.85	268.10	362.00 4/4	287.55 24/1	362.00 4/4/86	33.29 17/12/74
71	Investment Trusts (101)	742.62	+0.2	—	3.05	—	10.09	741.40	746.77	740.69	580.75	768.09 7/7	633.36 14/1	768.09 7/7/86	71.12 13/12/74
81	Mining Finance (2)	253.49	+2.9	14.22	6.33	8.20	6.11	246.35	248.86	251.38	250.92	331.16 21/3	240.83 2/1	337.57 10/4/84	66.31 30/9/74
91	Overseas Traders (14)	620.72	+0.4	12.19	7.01	9.73	19.63	618.37	620.78	628.10	603.68	707.32 1/7	597.55 2/1	707.32 1/7/86	97.37 6/1/75
99	ALL-SHARE INDEX (734)	757.22	—	—	4.17	—	13.67	757.60	764.23	773.68	620.18	832.39 3/4	664.42 14/1	832.39 3/4/86	61.92 13/12/74

	Index No.	Day's Change	Day's High	Day's Low	Aug 7	Aug 6	Aug 5	Aug 2	Aug 1	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX ♣	1526.7	−3.2	1534.5	1519.7	1529.9	1540.4	1561.6	1545.4	1561.8	1286.3	1717.6 3/4	1370.1 14/1	1717.6 3/4/86	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri August 8	Day's change %	Thurs August 7	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	122.45	+0.05	122.39	—	6.89
2	5-15 years	140.52	+0.14	140.33	—	7.99
3	Over 15 years	147.95	+0.17	147.69	—	8.13
4	Irredeemables	163.36	+0.07	163.24	—	7.27
5	All stocks	136.88	+0.12	136.72	—	7.71
	Index-Linked					
6	5 years	113.99	+0.08	113.90	—	1.18
7	Over 5 years	115.72	−0.01	115.73	—	1.99
8	All stocks	115.38	—	115.37	—	1.84
9	Debentures & Loans	119.68	—	119.69	—	5.88
10	Preference	84.50	—	84.50	—	3.73

	AVERAGE GROSS REDEMPTION YIELDS	Fri August 8	Thurs August 7	Year ago (approx.)	1986 Highs	1986 Lows
	British Government					
1	Low 5 years	8.33	8.26	10.09	10.26 20/1	7.37 18/4
2	Coupons 15 years	9.24	9.25	10.20	10.65 20/1	8.32 18/4
3	25 years	9.28	9.28	10.20	10.65 20/1	8.33 18/4
4	Medium 5 years ●	9.60	9.61	10.91	11.89 14/1	8.58 18/4
5	Coupons 15 years	9.58	9.59	10.56	11.15 20/1	8.58 18/4
6	25 years ●	9.57	9.57	10.16	10.74 20/1	8.58 18/4
7	High 5 years	9.74	9.75	10.99	12.07 20/1	8.73 18/4
8	Coupons 15 years	9.74	9.75	10.70	11.32 20/1	8.73 18/4
9	25 years	9.58	9.58	10.25	10.81 20/1	8.73 18/4
10	Irredeemables †	9.26	9.26	10.01	10.35 27/1	8.38 18/4
	Index-Linked					
11	Inflat'n rate 5% 5 yrs	3.69	3.69	0.0	5.18 14/1	3.24 29/4
12	Inflat'n rate 5% Over 5 yrs	3.54	3.54	0.0	4.01 20/1	3.26 13/5
13	Inflat'n rate 10% 5 yrs	2.48	2.47	0.0	4.23 14/1	2.11 29/4
14	Inflat'n rate 10% Over 5 yrs	3.39	3.38	0.0	3.85 14/1	3.09 19/5
15	Debs & Loans 5 years	10.06	10.06	11.51	12.78 27/1	9.72 8/7
16	15 years	10.44	10.44	11.39	11.93 4/2	9.79 22/4
17	25 years	10.51	10.51	11.27	11.83 21/1	9.69 17/4
18	Preference †	10.99	10.89	12.28	12.18 24/2	10.30 9/6

♣ Opening index 1532.4; 10 am 1532.7; 11 am 1527.6; Noon 1523.6; 1 pm 1520.9; 2 pm 1521.9; 3 pm 1522.4 3.30 pm 1522.8; 4 pm 1523.5.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Telephone Networks	30/11/84	517.92	Food Manufacturing	29/12/67	114.13
Electronics	30/12/83	1646.65	Food Retailing	29/12/67	114.13
Other Industrial Materials	31/12/80	287.41	Insurance Brokers	29/12/67	96.67
Health/Household Products	30/12/77	261.77	Mining Finance	29/12/67	100.00
Other Groups	31/12/74	63.75	All Other	10/04/62	100.00
Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Mechanical Engineering	31/12/71	153.84	Do. Index-linked	30/04/82	100.00
Office Equipment	16/01/70	162.74	Debs. & Loans	31/12/77	100.00
Industrial Group	31/12/70	128.20	Preference	31/12/77	76.72
Other Financial	31/12/70	128.06	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 28p.
CONSTITUENT CHANGES: Grattan (34) has been deleted and replaced by Countryside Properties (3). NAME CHANGES: Booker McConnell (48) has become Booker.
● Corrected figures for 7/8/86.

INTERNATIONAL COMPANIES and FINANCE

Belgian banks take debt move in their stride

BY TIM DICKSON IN BRUSSELS

BELGIUM'S BANKS have not been quite sure which way to turn this week following last Sunday's controversial debt rescheduling deal with the Government.

For domestic public consumption the financial institutions have been keen to stress their contribution to the country's "austerity plan" under which the coalition Government of Mr Wilfred Martens has knocked BFr 195bn ($4.5bn) off the 1987 budget (including significant sums for education and social security programmes). The word "sacrifice" have proved a useful addition to bankers' vocabulary.

On the other hand as far as their shareholders and the international investing community are concerned, the same individuals are understandably anxious to play down the impact on profits and cash flow.

On the whole this second version is the more convincing and shares of the three leading banks — Generale de Banque, Bank Brussels Lambert, and Kredietbank—have all chalked up healthy gains this week in line with the all-round improvement in stock market sentiment.

The truth is that far from foregoing interest on their Government loans—an impression wrongly conveyed in some quarters in the immediate wake of the agreement—the financial institutions which put their names to the package have merely agreed to the deferral of some interest payments.

The problem from the Government's point of view is that much of its borrowing was negotiated at a time of much higher inflation and thus on the basis of much higher interest rates—in some cases 12 to 14 per cent, compared with today's market rate of 8 per cent.

The main aim of the new agreement is to reduce the immediate pressure on Government spending—in fact a budgetary saving of about BFr 35bn will probably be achieved for 1987—but the significant point as far as the banks are concerned is that the money will be paid to them eventually.

In lieu of interest payments over 8 per cent the parties to the deal, which include savings banks, public credit institutions and insurance companies as well as the banks, will receive a new type of Treasury bond fully redeemable at the end of eight years and which will pay market-related rates of interest over the term. The banks' only "loss" is thus the difference between this return and what they would get had they been free to invest the money themselves.

Mr Wilfred Martens: Seeking BFr 195bn in budget cuts

Obviously their cash flow will be adversely affected by the arrangement but the actual financial "sacrifice" is relatively insignificant and has been calculated for all the financial institutions involved at around BFr 2bn. Of this, the three Belgian banks and Banque Paribas of France are only responsible for 43 per cent.

Altogether 39 loans with coupons over 8 per cent and totalling BFr 2,321bn are involved in the agreement. This year bonds will be issued in lieu of BFr 6bn of "interest," in 1987 up to BFr 36bn of obligations will be met in this way, in 1988 up to BFr 33bn, in 1989 up to BFr 22bn and in 1990 up to BFr 11bn. The schedule shows a range at this stage since it is still hoped that other financial institutions will join in the accord.

Under the terms of the deal, 25 per cent of the principal on the new bonds will be repaid at the end of year two, plus a further 25 per cent at the end of year four. Interest will be paid at various margins below market rates, starting at one percentage point below in 1986 and rising steadily over the next five years so that any differential with the market rate will have disappeared by 1990. Totting up all these differentials provides the BFr 2bn "sacrifice."

Why are the financial institutions prepared to accept these terms? Certainly, some sort of deal has seemed likely since the Government first announced its intention to renegotiate part of the debt on being elected last October. The banks are as keen to help the authorities check the snowball effect whereby interest payments cause the public debt to continue growing and there is a feeling in Brussels that the agreement should help nudge interest rates downwards.

On top of this the banks have a clear undertaking from the present government that while the accord lasts (up to the end of 1990) there will be no change in the way they are taxed, while all agreements are null and void if Mr Martens fails to push through his BFr 195bn of other cuts.

Procter & Gamble ends year with 11.6% advance

BY TERRY BYLAND IN NEW YORK

A STRONG final quarter completed a successful turnround year at Procter & Gamble, the detergent, personal care and pharmaceutical products group. Net earnings for fiscal 1986 are 11.6 per cent ahead at $709m or $4.20 a share, a shade above the preliminary figures disclosed in the industry press a month ago. Sales at $15.4bn jumped 13 per cent.

P & G has strongly reasserted itself in its primary businesses, where it has fought to regain market share, and also achieved growth through its determined acquisition policies. The strong rebound in profits has followed heavy investment in both new products and key established brands.

Mr John Smale, chairman and chief executive, commented that the recovery from last year's 29 per cent fall in net profits to $635m was "in line with expectations." However, earnings growth was restrained by a higher tax rate and also by the initial dilution effect of two major acquisitions—of Richardson-Vicks and of the over-the-counter drug business of G. D. Searle.

The closing quarter brought a 10.4 per cent gain in net earnings to $127m or 74 cents a share, on sales 15 per cent ahead at $3.9bn.

Richardson-Vicks provided the chief stimulus for a surge of 49 per cent to $143m in international earnings. European laundry detergents did particularly well, and unit volume rose sharply in Japan.

CdF-Chimie reduces loss

CdF-CHIMIE, the chemicals subsidiary of the state-owned Charbonnages de France coal group, sharply cut its loss to FFr 60m ($8.9m) in the first half of this year, excluding stock depreciation, from a FFr 733m deficit a year earlier, Reuter reports from Paris.

The improvement was especially marked in the special chemicals division, which saw a profit of FFr 100m for the first six months against a loss of FFr 50m in the same period of 1985.

For all 1985 CdF-Chimie reported a consolidated loss of FFr 964m, excluding a FFr 553m debt write-off, against a loss of FFr 930m in 1984.

Four of the company's seven divisions made a profit in the first half and the petrochemical sector reduced its loss to FFr 90m from a loss of FFr 477m in the first half of 1985.

Mr Michel Hug, CdF-Chimie's chairman, who was appointed late last year, has submitted a restructuring plan to Mr Alain Madelin, Industry Minister. This includes cuts in its workforce, which stood at 18,000 at the end of 1985, the company said. CdF-Chimie shed 1,000 jobs in both 1984 and 1985 and planned to continue cutbacks at around that rate.

The company added, however, that there was still no word on the Government's response to Mr Hug's restructuring plan.

Profits slide at two Singapore bank groups

TWO OF Singapore's largest bank holding groups have posted sharp declines in earnings in the first half of 1986, AP-DJ reports from Singapore.

Oversea Chinese Banking Corporation (OCBC) and United Overseas Bank (UOB) registered respective declines of 20.6 per cent and 17.2 per cent in group net profit for the period.

OCB's net group earnings fell to S$51.2m (US$23.6m) while the bank itself showed a decline in net profit of 16.7 per cent to S$42.1m. OCBC blamed difficult business conditions which have prevailed since the beginning of 1985, for its poor performance. It also noted that "the percentage decrease is more pronounced as this half-year's profit is being compared to a better first half of 1985."

UOB turned in net group profits of S$51.8m, while earnings for the bank fell 23.8 per cent to S$37m. UOB also blamed a difficult business environment

● The Singapore High Court yesterday postponed a final liquidation hearing for Pan Electric Industries for at least three more week.

Mr Justice Punch Coomaraswamy granted a request for postponement by a representative of Sigma International, which holds a 22.3 per cent stake in Pan Electric and is itself in receivership.

Several minority shareholders, including Sigma, are objecting to the petition for liquidation filed by nine creditor banks in the wake of the company's collapse in December.

Energy price cuts help push Enron into the red

BY OUR FINANCIAL STAFF

SHARPLY REDUCED energy prices and pipeline margins combined with higher interest costs to push Enron, the major Houston-based energy group known formerly as HNG/InterNorth, to a $12.4m or 55 cents a share net loss in the second quarter of 1986.

The loss compares with restated net profits of $10.6m a year earlier which, after preferred dividends, equate to a loss of 4 cents a share. For the first six months, net profits were $67.5m or 97 cents a share, compared with a restated $117.7m or $2.02.

Mr Kenneth Lay, chairman and chief executive, said the negative factors in the latest quarter were partly offset by increased production of oil and gas, higher pipeline throughput and aggressive cost-cutting and debt reduction measures.

Second-quarter results were reduced by $10.1m after-tax due to costs associated with moving the corporate headquarters from Omaha to Houston.

Mr Lay noted that the company had cut its workforce by 1,400 or 13 per cent in the last year, and had reduced debt by $600m since the merger between Houston Natural Gas and InterNorth in July last year.

Revenues slipped from $1.88bn to $1.81bn in the second quarter, but rose from $4.5bn to $5bn in the first half.

Another Houston energy group, Coastal, fared rather better in the second quarter, with profits almost unchanged at $30m or 68 cents a share, against $30.5m or 68 cents. The result represents a sharp turnround from the $22m loss recorded in the first three months, and is due mainly to $47.8m of operating profits in refining and marketing, against a loss of $175m in the first quarter.

Revenues, however, were down from $1.85bn to $1.47bn in the second quarter, taking the six-month total to $3.39bn against $3.37bn last time.

Toyota SA edges ahead

BY JIM JONES IN JOHANNESBURG

TOYOTA, South Africa, the country's largest motor manufacturer, increased its share of a declining market in the first six months of this year but nevertheless sold fewer vehicles than a year ago.

The company sold 38,738 vehicles during the first half of the year against 40,783 in the first half of 1985 and 85,093 in the full year.

Interim turnover figures have not been disclosed, but pre-tax profits rose to R7.1m ($2.7m) from R6.9m.

The directors say that the total vehicle market has continued to weaken—first half retail sales totalled 128,410 units against 146,666 in the first half of 1985, while margins were affected by the higher rand cost of components imported from Japan and increased average borrowings needed to finance new model tooling

Earnings per share were 186.8 cents against a first half deficit of 220.9 cents last year and a R13.38 deficit for 1985 as a whole. An interim dividend has not been declared: the last dividend payment was 25 cents at the half-way stage last year.

Although Toyota South Africa sources most of its imported components from Japan, the Japanese Toyota company has no equity interest in the South African operation.

Toyota South Africa is indirectly controlled by Anglo American Corporation, the country's largest mining and industrial group.

Cusaf increases earnings

BY OUR JOHANNESBURG CORRESPONDENT

COMMERCIAL UNION Assurance South Africa (Cusaf), the 45 per cent-owned associate of Commercial Union of the UK, continued to incur short-term underwriting losses in the first half of this year even though business volume increased by two-fifths. Nevertheless, an increase in investment income and the company's share of life profits led to an increase in the interim taxed profit.

Net short-term premiums increased to R76m ($29.8m) in the first half from R53.6m, while the interim underwriting deficit was R2m against R2.3m. Profits after tax were R2.7m against R2.4m. The life fund increased to R558m at the end of June from R489m at the end of December 1985.

Cusaf's first-half earnings rose to 33.6 cents a share from 30 cents and the interim dividend has been lifted to 15 cents a share from 14 cents.

LONDON OPTIONS WERE NOT AVAILABLE FOR THIS EDITION

NORTH AMERICAN QUARTERLIES

ALEXANDER & ALEXANDER SERVICES
Insurance brokerage

	1986	1985
Second quarter	$	$
Revenue	269.2m	227.1m
Net profits	19.6m	8.3m
Net per share	0.48	0.22
Six months		
Revenue	518.0m	437.6m
Net profits	41.7m	21.5m
Net per share	1.02	0.57

AMERICAN INTERNATIONAL
Property-casualty, life insurance

	1986	1985
Second quarter	$	$
Revenue	2.2bn	1.3bn
Net profits	153.9m	64.6m
Net per share	1.50	1.14
Six months		
Revenue	4.0bn	2.5bn
Net profits	277.8m	164.7m
Net per share	3.44	2.21

BP CANADA
Oil and gas

	1986	1985
Six months	C$	C$
Revenue	114.8m	137.5m
Net profits	5.5m	24.6m
Net per share	0.16	1.15

CLOROX
Bleach, grocery products

	1985-86	1984-85
Fourth quarter	$	$
Revenue	317.2m	319.2m
Net profits	31.9m	28.8m
Net per share	1.10	1.01
Year		
Revenue	1.29bn	1.05bn
Net profits	95.6m	86.1m
Net per share	3.60	3.27

M/A COM
Electronics

	1985-86	1984-85
Third quarter	$	$
Revenue	n/a	n/a
Op. net profits	5.4m	12.2m
Op. net per share	0.12	0.28
Nine months		
Revenue	647.3m	614.6m
Op. net profits	†21.9m	32.0m
Op. net per share	†0.78	0.74

† Loss

OVERSEAS SHIPHOLDING
Bulk cargo

	1986	1985
Second quarter	$	$
Revenue	74.1m	65.8m
Net profits	8.1m	6.8m
Net per share	0.31	0.24
Six months		
Revenue	142.4m	133.5m
Net profits	19.3m	16.4m
Net per share	0.71	0.64

PEOPLES ENERGY
Gas distribution utilities

	1985-86	1984-85
Third quarter	$	$
Revenue	276.9m	308.7m
Net profits	8.7m	9.6m
Net per share	0.27	0.30
Nine months		
Revenue	1.36bn	1.48bn
Net profits	86.6m	86.9m
Net per share	2.68	2.70

SUN CHEMICAL
Printing ink, pigments

	1986	1985
Second quarter	$	$
Revenue	251.0m	206.9m
Net profits	17.4m	1.2m
Net per share	2.19	0.18
Six months		
Revenue	481.2m	420.5m
Net profits	21.7m	6.1m
Net per share	2.74	0.78

THOMSON NEWSPAPERS
Media

	1986	1985
Six months	C$	C$
Revenue	498.4m	459.2m
Net profits	92.1m	78.4m
Net per share	0.62	0.54

UNIVERSAL LEAF TOBACCO
Tobacco dealer

	1985-86	1984-85
Fourth quarter	$	$
Revenue	237.8m	160.4m
Net profits	7.5m	7.1m
Net per share	0.44	0.42
Year		
Revenue	1.15bn	1.08bn
Net profits	47.1m	46.4m
Net per share	2.74	2.69

CURRENCIES and MONEY

FOREIGN EXCHANGES

Dollar and pound quiet

TRADING WAS very quiet on the foreign exchanges yesterday. The dollar was slightly firmer overall and sterling was a little weaker. There were no new factors to influence the dollar and trading appeared to have slipped into a holiday mood.

Tokyo set this trend, with dealers squaring positions before the peak holiday period begins on Monday, as far as many large Japanese companies are concerned. The dollar finished at Y154.10 in London last night, compared with Y153.75 on Thursday. It had also closed at Y154.10 earlier in Tokyo, which in turn was unchanged from the New York finish.

At yesterday's London close the dollar had improved slightly to DM 2.0585 from DM 2.0570; to SFr 1.6675 from SFr 1.6660; and to FFr 6.72 from FFr 6.71.

On Bank of England figures the dollar's index rose to 111.0 from 110.7.

Apart from a brief flurry on the Opec oil agreement, and another US official adding his weight to the threat of a weaker dollar, unless Japan and West Germany take steps to correct the imbalance in trade, by faster economic expansion, it has been a week of very little in the way of new factors.

The result of the US Treasury quarterly refunding auctions was slightly disappointing, and did not generate enough demand from Japanese investors to underpin the dollar.

The market may gain some stimulus from US retail sales figures next Wednesday and producer prices and industrial production figures on Friday. Most forecasts suggest weak data and a probable further decline in the value of the dollar.

Oil prices were lower yesterday, but had little influence on sterling. The pound generated no more interest than the dollar. It fell 30 points to $1.4730-1.4740 and also declined to another record closing low against the D-mark, at DM 3.05, compared with DM 3.0525. Sterling was unchanged at Y227, but fell to FFr 9.9025 from FFr 9.9075 and to SFr 2.4575 from SFr 2.46.

The pound's exchange rate index finished unchanged at 70.9, after opening at the day's low of 70.8.

£ IN NEW YORK

Aug 8	Latest	Prev. close
Spot	$1.4760-1.4770	$1.4695-1.4705
1 month	0.46-0.45 pm	0.45-0.43 pm
3 months	1.20-1.17 pm	1.29-1.27 pm
12 months	4.30-4.20 pm	4.48-4.40 pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

8.30 am	......	70.8	71.0
9.00 am	......	71.1	71.0
10.00 am	......	71.1	70.9
11.00 am	......	71.1	71.0
Noon	......	71.1	70.9
1.00 pm	......	71.0	70.8
2.00 pm	......	71.0	70.8
3.00 pm	......	70.9	70.9
4.00 pm	......	70.9	70.9

CURRENCY RATES

Aug. 8	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.817133	0.689508
U.S. $	6	1.20517	1.01771
Canadian $	8.53	1.67115	1.40923
Austria Sch	4	17.6115	14.8833
Belgian Fr	8	51.8050	43.6896
Danish Kr	7	8.88099	7.89766
D'mark	3½	2.50160	2.10769
Guilder	4½	2.81883	2.37484
French Fr	9½	8.12717	6.84514
Lira	12	1717.27	1449.98
Yen	3½	185.690	156.625
Norway Kr	8	8.91721	7.51856
Spanish Pta	—	162.385	137.188
Swedish Kr	7½	8.38193	7.07464
Swiss Fr	4	2.01792	1.69856
Greek Drch	20½	N/A	137.676
Irish Punt	—	0.892873	0.757509

* CS/SDR rate for August 6: 1.66446
(1) SDR rate for August 6

CURRENCY MOVEMENTS

August 8	Bank of England Index	Morgan Guaranty Changes %
Sterling	70.9	-21.7
U.S. Dollar	111.0	+7.5
Canadian Dollar	77.6	-12.8
Austrian Schilling	150.5	+8.0
Belgian Franc	96.2	-6.6
Danish Kroner	88.4	+0.8
Deutsche Mark	150.0	+17.4
Swiss Franc	167.8	+22.6
Guilder	135.2	+11.6
French Franc	69.7	-13.3
Lira	47.4	-15.2
Yen	214.5	+68.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

OTHER CURRENCIES

Aug. 8	£	$
Arg'tina	1.3700-1.3720	0.9300-0.9310
Aus'alia	2.4300-2.4335	1.6490-1.6495
Brazil	20.29-20.40	13.77-13.84
Finland	7.3500-7.3670	4.9760-4.9850
Greece	197.28-200.88	134.01-136.28
H'kong	11.4820-11.5000	7.7950-7.8000
Iran	114.00*	76.75*
Kuwait	0.4275-0.4280	0.29050-0.29060
Lux'burg	63.10-63.20	42.80-42.90
Malaysia	3.8555-3.8680	2.6175-2.6225
N'Z'land	2.9015-2.9090	1.9685-1.9745
Saudi Ar.	5.5280-5.5330	3.7515-3.7520
Sin'pore	3.1955-3.2005	2.1680-2.1700
SAf (Cm)	3.8400-3.8725	2.6160-2.6225
SAf (Fn)	7.4420-8.4390	5.4065-5.7145
U.A.E.	5.4075-5.4130	3.6785-3.6755

* Selling rate.

POUND SPOT—FORWARD AGAINST POUND

Aug 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4690-1.4785	1.4730-1.4740	0.46-0.43c pm	3.62	1.31-1.26 pm	3.49
Canada	2.0162-2.0482	2.0410-2.0420	0.30-0.21c pm	1.50	0.70-0.54 pm	1.21
Nethlnd.	3.43-3.45½	3.43-3.44	1½-1¼c pm	4.37	3½-3⅜ pm	3.93
Belgium	63.10-63.56	63.10-63.20	17-14c pm	2.95	48-39 pm	2.75
Denmark	11.40½-11.49	11.40½-11.41½	1⅛pm-¼ore dis	0.26	1½-½ pm	0.35
Ireland	1.0905-1.1040	1.0915-1.0925	0.05pm-0.06p dis	—	0.05-0.10dis	-0.27
W. Ger.	3.04½-3.06½	3.04½-3.05½	1⅝-1½pf pm	5.41	4¾-3⅞ pm	5.09
Portugal	215.20-217.05	215.20-216.83	65-160c dis	-6.27	175-435dis	-5.64
Spain	198.62-199.70	198.62-198.90	55-105c dis	-4.83	145-210 dis	-3.57
Italy	2096-2109½	2097-2098	10-12lire dis	-0.86	3-7 dis	-0.95
Norway	10.85½-10.92¾	10.85½-10.86½	3½-4⅞ore dis	-4.35	12¼-13¾ dis	-4.80
France	9.88½-9.95½	9.89½-9.90½	2⅞-2⅛c pm	2.95	7-6⅝ pm	2.87
Sweden	10.22-10.28¼	10.22-10.23	¾-¼ore pm	0.44	1½-½ pm	0.49
Japan	226½-227¾	226½-227½	1⅝-1⅞y pm	5.29	3-3¾ pm	5.03
Austria	21.50-21.59	21.50-21.56	9½-8⅝gro pm	4.81	26½-23½ pm	4.55
Switz.	2.45¼-2.47	2.45¾-2.46¾	1¼-1⅛c pm	5.48	3¼-3⅛ pm	5.28

Belgian rate is for convertible francs. Financial franc 63.60-63.70. Six-month forward dollar 2.52-2.47c pm. 12-month 4.55-4.45c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Aug 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4690-1.4785	1.4730-1.4740	0.46-0.43c pm	3.62	1.31-1.26 pm	3.49
Ireland†	1.3380-1.3470	1.3420-1.3430	0.40-0.30c pm	3.13	1.20-1.10 pm	3.43
Canada	1.3807-1.3860	1.3850-1.3860	0.21-0.24c dis	-1.95	0.72-0.77dis	-2.15
Nethlnd.	2.3260-2.3495	2.3310-2.3320	0.17-0.14c pm	0.80	0.54-0.49 pm	0.88
Belgium	42.70-43.05	42.80-42.90	2-3c dis	-0.70	[illegible]	-0.70
Denmark	7.73½-7.78¾	7.74½-7.74¾	1.25-1.85ore dis	-2.39	4.50-5.10dis	-2.48
W. Ger.	2.0625-2.0785	2.0580-2.0590	0.35-0.32 pf pm	1.94	0.97-0.92 pm	1.83
Portugal	145-148	146-146½	90-160c dis	-10.27	[illegible]	[illegible]
Spain	134.45-135.43	134.75-134.85	75-90c dis	-7.31	210-250 dis	-6.82
Italy	1420-1430	1423¼-1423¾	5-8lire dis	-4.63	15-17 dis	-4.49
Norway	7.36-7.40	7.37-7.37½	4.65-5.05ore dis	-7.87	14.65-15.05dis	-8.05
France	6.70-6.75	6.71½-6.72½	0.75-0.85c dis	-0.68	[illegible]	[illegible]
Sweden	6.93½-6.96¼	6.93½-6.94½	1.65-1.95ore dis	-3.10	5.25-5.65dis	-3.14
Japan	153.60-154.20	154.05-154.15	0.24-0.19y pm	1.68	0.67-0.62 pm	1.67
Austria	14.52-14.62	14.55-14.55½	2-1gro pm	1.23	5-3 pm	1.10
Switz.	1.6560-1.6760	1.6670-1.6680	0.30-0.26c pm	1.97	0.83-0.73 pm	1.87

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 43.15-43.25.

EURO-CURRENCY INTEREST RATES

August 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¾-10	9¾-10	9⅞-10	9⅞-10	9⅞-10	9¾-9⅞
U.S. Dollar	6⅛-6¼	6⅛-6¼	6⅛-6¼	6⅛-6¼	6⅛-6¼	6¼-6⅜
Can Dollar	8-8¼	8-8¼	8⅛-8⅜	8⅛-8⅜	8⅛-8⅜	8¼-8½
D Guilder	5-5⅛	5-5⅛	5-5⅛	5-5⅛	5-5⅛	5¼-5⅜
Sw. Franc	1⅝-1¾	3¼-3½	4⅛-4¼	4⅛-4¼	4¼-4⅜	4¼-4⅜
Deutschmark	4½-4⅝	4½-4⅝	4½-4⅝	4½-4⅝	4½-4⅝	4⅝-4¾
Fr. Franc	7⅛-7¼	7-7⅛	7-7⅛	7-7⅛	7-7⅛	7⅛-7¼
Italian Lira	10-11	10½-11½	10¾-11¼	10¾-11¼	10¾-11¼	10½-11
B.Fr.(Fin)	6⅞-7⅛	7-7⅛	7-7⅛	7⅛-7¼	7⅛-7¼	7¼-7⅜
B.Fr.(Con)	6⅞-7	7-7⅛	7-7⅛	7⅛-7¼	7⅛-7¼	7¼-7⅜
Yen	4⅛-4¼	4⅝-4¾	4⅝-4¾	4⅝-4¾	4⅝-4¾	4⅝-4¾
D. Krone	8-9	8¼-8¾	8⅞-9⅛	9⅛-9⅜	9¼-9½	9½-10⅛
Asian $Sing	6-6⅛	6⅛-6¼	6⅛-6¼	6⅛-6¼	6¼-6⅜	6⅜-6½

Long-term Eurodollars: two years 6¾-7⅛ per cent; three years 7⅛-7⅜ per cent; four years 7⅜-7⅝ per cent; five years 7⅝-7⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug. 7	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.474	3.050	227.0	9.905	2.458	3.435	2088	2.048	63.15
$	0.679	1.	2.070	154.1	6.720	1.668	2.333	1424	1.385	42.85
DM	0.328	0.483	1.	74.45	3.247	0.806	1.126	687.7	0.669	20.70
YEN	4.405	6.491	13.44	1000.	43.62	10.83	15.13	9240.	8.983	278.2
F Fr.	1.010	1.488	3.080	229.2	10.	2.483	3.469	2118	2.063	63.75
S Fr.	0.407	0.600	1.241	92.37	4.030	1.	1.398	853.5	0.831	25.71
H Fl.	0.291	0.428	0.888	66.08	2.883	0.715	1.	610.6	0.594	18.38
Lira	0.477	0.703	1.454	108.2	4.721	1.172	1.638	1000.	0.973	30.11
C $	0.490	0.722	1.494	111.2	4.851	1.204	1.683	1027.	1.	30.93
B Fr.	1.584	2.333	4.830	359.2	15.68	3.892	5.439	3321.	3.233	100.

Yen per 1,000: French Fr per 10: Lira per 1,000; Belg Fr per 100.

MONEY MARKETS

Large credit shortage

INTEREST RATES were steady on the London money market yesterday, with three-month interbank unchanged at 9⅞-10 per cent, although in after hours trading there was a move down to 9⅞-10 per cent, as sterling showed little movement on the foreign exchanges.

There was a very large shortage of day-to-day credit, and the Bank of England supplied part of its intervention through a bill repurchase agreement.

The Bank of England initially forecast a money market shortage of £1,350m, but revised this to £1,300m in the afternoon, and provided total assistance of £1,207m.

An early round of help was offered, and at that time the authorities bought £246m bills outright, by way of £6m bank bills in band 1 at 9⅞ per cent; £41m bank bills in band 2 at 9⅞ per cent; £75m Treasury bills in band 3 at 9⅞ per cent; £120m bank bills in band 3 at 9⅞ per cent; and £4m bank bills in band 4 at 9⅞ per cent.

Further assistance of £789m was supplied before lunch, including £202m bills bought outright, through £3m bank bills in band 1 at 9⅞ per cent; £117m bank bills in band 2 at 9⅞ per cent; £21m bank bills in band 3 at 9⅞ per cent; £5m Treasury bills in band 4 at 9⅞ per cent and £56m bank bills in band 4 at 9⅞ per cent.

Another £587m bills were purchased for resale to the market, in equal amounts on August 18 and 19 at rates of 9⅞ to 9⅞ per cent.

In the afternoon £172m bills were bought outright, by way of £24m bank bills in band 1 at 9⅞ per cent; £135m bank bills in band 2 at 9⅞ per cent; and £13m bank bills in band 4 at 9⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £741m, with Exchequer transactions absorbing £330m; a rise in the note circulation £270m; and bank balances below target £130m.

At the weekly Treasury bill tender the average rate of discount rose to 9.5445 per cent from 9.5021 per cent. The £100m bills on offer attracted bids of £450m, compared with £546m for a similar number the previous week. The minimum accepted bid at the tender was £97.615, against £97.625 previously, and bids at that level were met as to about 40 per cent, compared with 80 per cent the previous week. Next week another £100m bills will be on offer, replacing a similar number of maturities.

UK clearing bank base lending rate 10 per cent since May 22

FT LONDON INTERBANK FIXING

(11.00 a.m. August 8)

Three months US dollars		Six months US dollars	
bid 6⅛	offer 6¼	bid 6⅛	offer 6¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

August 8	Over-night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.45-4.55	4.60-4.70	4.55-4.65	4.55-4.70	—	5.5
Paris	7	7¼-7⅜	7⅛-7¼	7⅛-7¼	7¼-7⅜	7
Zurich	1½-1⅞	4⅛-4¼	—	4⅛-4¼	—	—
Amsterdam	5-5⅛	5-5⅛	—	5-5⅛	—	—
Tokyo	4.66625	4.71875	—	—	—	—
Milan	11¼-12¼	11¾-11⅞	—	11⅞-11¾	—	—
Brussels	8	7⅞-8⅛	—	8.00-8.10	—	—
Dublin	9⅝-10⅛	9⅞-10⅛	—	10-10⅛	10-10⅛	—

LONDON MONEY RATES

August 8	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8-10⅛	10-10⅛	9⅞-10	9⅞-10	9⅞-10	9⅞-10
Sterling CDs	—	—	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9¾-9⅞
Local Authority Deps	9¾-10⅛	9¾-10	10⅛	10	10	—
Local Authority Bonds	—	—	10⅛	10	10	9⅞
Discount Mkt Deps	7-9⅞	9⅞-10	9⅞-10	9⅞	—	—
Company Deps	—	—	10	10	10	—
Finance House Deps	—	10-10⅛	10	10	10	10
Treasury Bills (Buy)	—	—	9⅞	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞	9⅞	9⅞	—
Fine Trade Bills (Buy)	—	—	10⅛	10	10⅛	—
Dollar CDs	—	—	6.30-6.40	6.30-6.40	6.30-6.35	6.45
SDR Linked Deps	—	—	6⅛-6⅝	6⅝-6⅝	6⅝-6⅝	—
ECU Deps	—	—	7⅛-7⅝	7⅛-7⅝	7⅛-7⅝	7⅛-7⅝

Treasury Bills (sell): one month 9⅝ per cent; three months 9⅝ per cent. Bank Bills (sell): one month 9¾ per cent; three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.5445 per cent. ECGD Fixed Finance Scheme IV reference date July 2 to August 5 (inclusive): 10.009 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from August 1 1986. Bank Deposit Rates for sums at seven days' notice 4.25-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9⅜ per cent; three-six months 9⅝ per cent; six-nine months 9⅝ per cent; nine-12 months 9⅝ per cent. Under £100,000 9⅝ per cent from August 6. Deposits held under Series 5 9⅝ per cent. Deposits withdrawn for cash 5½ per cent.

WORLD STOCK MARKETS

WALL STREET

Stocks rise in dull trading

STOCKS were mostly higher in a session described as dull by Wall Street traders. The broader market was doing better than the 30 stocks in the Dow index. The Bond market was higher, but the enthusiasm there after completion of the Treasury auction had a limited effect on stocks.

By 1 pm the Dow Jones Industrial Average was off 5.49 to 1,780.79, reducing its rise on the week to 17.15, while the NYSE All Common index, at $136.59, rose 17 cents on the day and $1.30 on the week. Advances led declines by a seven-five ratio in a volume of 82.28m shares.

Peter Furniss, of Drexel Burnham Lambert, said except for the strong gain in Oils this week the Stock Market is still undergoing an internal correction. But he also sees "good healthy buying" in some Blue Chips that made record highs earlier this year then sold off but found support areas.

Houston Industries led actives, up $¼ to $34½, after three blocks totalling 2m shares.

ITT, which said Thursday it may repurchase shares, moved up $1½ to $53.

Texas Instruments climbed $4¼ to $109¼ on a report the company will benefit from the US Japanese semiconductor accord.

Digital Equipment gained another $1½ to $93¾ on several favourable reports from analysts following the recent earnings report.

Hammermill Paper improved $1¼ to $58¼ — it is talking with several companies about a possible sale. Investor Paul Bilzerian is leading a group seeking to acquire the company.

Closing prices for North America were not available for this edition.

THE AMERICAN SE Market Value index firmed 0.77 to 264.80, for a rise of 3.78 on the week. Volume 6.37m shares.

Wang Laboratories "B" led the actives, up $¾ to $13¾.

CANADA

Stocks rose at midsession, extending a string of recent gains inspired by Resource stocks, although falling mildly from session highs.

The Toronto Composite index moved up 14.6 to 3018.8, Oil and Gas 4.8 to 2563.8 and Golds jumped 175.7 to 4556.2.

Hiram Walker rose $¾ to $37¾. Gulf Canada, off $¾ to $14¾, set an offer for the 7.1 per cent of Walker held by public shareholders.

Page Petroleum shed one cent to 20 cents on a reduced first half loss but little progress in debt talks.

Laidlaw "A" fell $¾ to $22¾ —it set a $141m unit offering.

AUSTRALIA

Firmer in brisk trading, buoyed by further heavy demand for leading Gold stocks, due to a weaker Australian dollar and firmer international bullion prices.

The All Ordinaries index rose 2.6 to 1,153.1, All Industrials 3.0 to 1,823.2, All Resources 2.4 to 645.3 Gold market 23.5 to 1,110.4, Metals and Minerals 5.5 to 533.2 and Solid Fuels 6.0 to 473.1. Turnover 90.4m shares valued at A$118.4m (92.6m worth A$144m). Rises outnumbered falls 277-to-166.

Gold Mines continued to bolster trading and provided the main impetus. Brokers said there was renewed interest by institutional buyers, both local and overseas, for Precious Metal stocks.

TOKYO

Slightly higher on buying aimed at Domestic-oriented shares.

The Nikkei Dow Average rose 13.17 to 17,435.53. The SE index rose 0.12 to 1,426.54. Turnover 720m (900m) shares.

Buying shifted to Domestic-oriented shares after Telecommunications and issues linked to capital spending by the state-owned communications giant NTT fell from early rises on profit-taking.

Recently neglected *Constructions*, some Steelmakers and Shipbuilders moved upward on bargain-hunting.

Le[illegible] and medium-sized "large" capital issues also gained ground, with Toray rising Y21 to 665.

Gains included Vehicles, Auto-parts, Securities Houses, and some biotechnology-linked Food shares.

Utilities were lower and other losers included NTT-linked Electric Wire and Cable, Property firms and Oil Refiners.

GERMANY

Leading share prices ended near the day's highs and well above Thursday's close after an active session dominated by strong foreign buying interest in what brokers said was the biggest rally since the West German bull market came to an abrupt end in April.

The Commerzbank index of 60 leading shares, calculated at mid-session, put on 64 to 1,952.0.

Brokers said the average share gained about 4 per cent in value as foreign and domestic investors bought heavily into a market with very little supply.

Share prices opened already sharply higher Friday, and brokers said morning demand was generated by foreign investors who wanted to take advantage of the mark's rise against the dollar.

"But by noon, domestic investors took over, mainly pensions funds and other institutional investors," one broker said. "We were stunned how much higher the market went."

Dealers said Chemicals rose fairly modestly, with most interest focused on Autos, Blue-Chip Electrical Siemens, up DM 33 at DM 663, and Banks, which reported very strong half-year figures last week.

Domestic investors were still cautious whether the higher prices would hold into next week although operators were less reluctant than usual to keep long positions over the weekend.

PARIS

French shares continued firmer after two days of consolidation in unseasonally active pre-weekend trading.

There was no fresh fundamental news to influence trading but the market had welcomed the firmer trend on Wall Street and Thursday's tender of French Treasury tap stock.

Advances led declines by 127-to-49.

SWITZERLAND

Domestic shares finished higher in fairly active trading spurred by overnight Wall Street gains and yesterday's firmer dollar. Dealers said sentiment was also improved by the drop of the annual Swiss inflation rate in July to 0.5 per cent, its lowest level since October 1978.

HONG KONG

Firmer in late hectic trading as strong buying interest from overseas institutions and local investors pushed the *Hang Seng* index to a new high of 1,931.29, up 11.11. While the broader based Hong Kong index firmed 7.79 to 1,204.50, also a record.

Turnover HK$769.90m (HK$ 678m).

SINGAPORE

Mixed in active trading following afternoon selling on news that Malaysia's central bank was investigating some of the country's co-operatives.

Brokers said speculation of a brighter economic forecast by Prime Minister, Lee Kuan Yew, in last night's National Day speech pushed up some Blue Chips and Trustee stocks in the morning. But Malaysian counters came under afternoon selling after the Central Bank said it would hold a news conference on the co-operatives.

The Straits Times Industrial index rose 0.22 to 763.68, while the SE All Share index lost 0.49 to 241.21. Turnover 16.9m (9.7m) shares.

JOHANNESBURG

Gold shares continued to lead the SE higher, with most major indices again setting record highs amid further demand for select issues as the gold price rose to almost $370.

COMMODITIES AND AGRICULTURE

REVIEW OF THE WEEK

Crude oil prices on a roller-coaster

BY LUCY KELLAWAY AND ANDREW GOWERS

OIL TRADERS must have aged this week. An electrifying shock was sent out from Geneva at the beginning of the week, as Opec ministers astounded uniformly bearish onlookers by coming to an agreement to cut oil production.

Many large oil traders had sold short before the meeting, expecting that like the several preceding it, this meeting would also break up in disarray, and prices would drift down.

The New York Mercantile Exchange (Nyme) was first to notice that something odd was happening in Geneva on Monday afternoon, and prices surged. Physical trading went on well into the night, and by Tuesday morning the price of West Texas Intermediate for September delivery was over $16 a barrel, a rise of nearly 50 per cent in just 24 hours.

Successive volume records were struck on Monday and Tuesday, when about 60,000 contracts traded, more than twice the July daily average.

In London, trading was unnaturally busy on the International Petroleum Exchange. Unaccustomed to such huge volumes as the New York market, the exchange was reeling on Tuesday, after notching up 13,000 lots, about one third more than the previous daily record.

Gas oil prices moved from $95 a tonne on Monday to $140 on Tuesday morning, in a gale of excitement over the Opec accord.

In both London and New York the first rush of short covering dragged in fresh buyers in its wake, who were anxious lest the price had finally hit the bottom.

However, even before the final communique was issued by Opec ministers on Tuesday afternoon, doubts had set in and prices began to fall, having overreacted so wildly, it took until Friday for everyone to settle down. For the rest of the week, prices moved up and down alarmingly, according to every latest rumour in the market. At hints that other countries might join Opec in cutting production, prices jumped; at figures pointing to the huge volume of crude stocks overhanging the market, they dropped back.

After an exhausting series of swings, prices of crude in New York ended the week about $3.50 higher at about $15 for West Texas Intermediate, while gas oil futures prices in London closed about $30 up at $127.

"As the week wore on we came to our senses," said Richard Marose, energy analyst at Geldermann, the US futures house. "On Monday and Tuesday all we could talk about was $18 oil—now we wonder if it is going to hold up at these levels."

Not only has the market realised that it will have to wait until September until the new production quotas come into effect; it now fears that between now and then Opec countries will pull all the stops out and produce at maximum capacity.

Among the metals, bulls continued to rampage around the Platinum market this week. Buoyed largely by speculative demand, the platinum price rose above $500 an ounce yesterday for the first time since early 1981. The metal closed at $502.25 in London after scaling a peak of $509 at one point in Zurich, up a sterling $38 on the week.

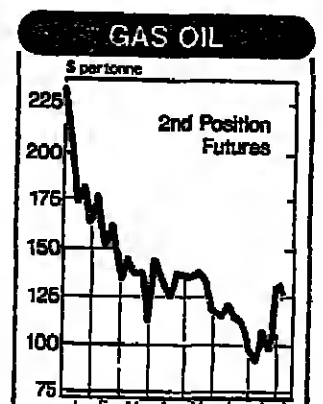
The speculators—particularly active, as ever, on Nymex—are gambling on the debate over sanctions against South Africa, source of 85 per cent of the Western world's platinum. The markets are full of talk that the South Africans might impose restrictions on their platinum exports in retaliation for Western sanctions. But rumour-mongering of this kind is probably less significant than the simple and self-fulfilling expectation that prices are on the way up.

There were already signs yesterday that this bubble might be ready to burst, at least in the short term. Even bullish traders acknowledged that the recent rally might be overdone—although the overall outlook for platinum, with its growing status as an industrial metal, remains firm.

The latest bout of excitement in the platinum market finally set a spark to gold yesterday afternoon. The bullion price has been creeping up little by little over the past two weeks, but yesterday it leapt above $370 for the first time since January, before closing at $369.805 an ounce, up $7.375 on the day and $7.625 on the week.

In the softs markets, most of the activity was focused on coffee. The London robusta coffee futures market rose sharply yesterday, with the November position closing £100.50 up on the week at £1,847.50. Much of the impetus emanated from New York, where trading was underpinned by favourable technical signals.

GAS OIL



US MARKETS

THE MOST outstanding performance in commodities took place in the precious metals with platinum the star performer, reports Heinold. Aggressive buying by commission houses drove platinum prices limit-up and gold gained $14 while silver put on a modest rise of 9c. Most of the buying had its origin in constructive charts. Coffee staged a strong rally after recent sharp drops, gaining 5c on the day. Buying came from speculators as well as the trade. Sugar rose modestly having found good trade support during the previous two days. Grains had a lacklustre session with little discernable trend.

NEW YORK

CHICAGO

WEEKLY PRICE CHANGES

INDICES

REUTERS

DOW JONES

ALUMINIUM

ZINC

COPPER

GOLD

LEAD

SILVER

NICKEL

TIN

COCOA

COFFEE

OIL

SOYABEAN MEAL

GRAINS

GAS OIL FUTURES

FREIGHT FUTURES

RUBBER

POTATOES

MEAT

SUGAR

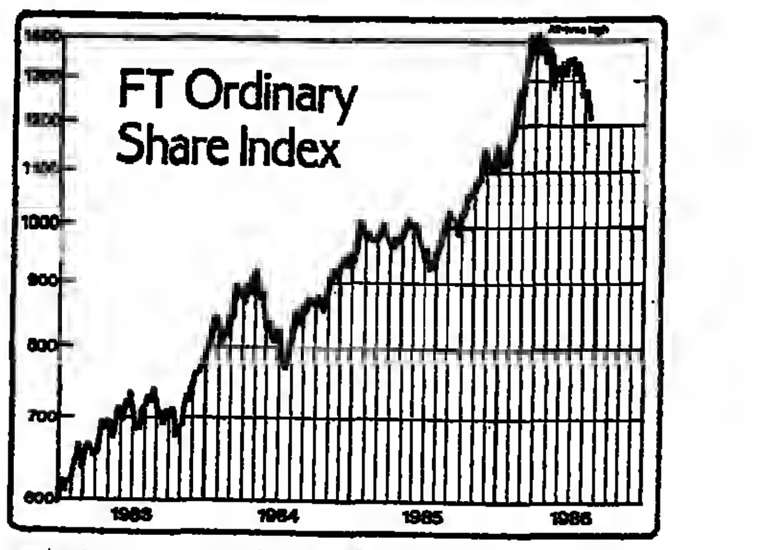
LONDON STOCK EXCHANGE

Depressing week ends with FT index down 56 points

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
July 28	Aug 7	Aug 8	Aug 18
Aug 11	Aug 28	Aug 29	Sept 8
Sept 1	Sept 11	Sept 12	Sept 22

* "New-time" dealings may take place from 9.30 am two business days earlier.



Too many uncertainties remained for investors to be tempted into opening new trading positions in London share markets yesterday. A week of falling prices sapped confidence and brought more sharply into focus a possible revision of the previously-considered healthy trend in UK company profits. The weakness also aroused concern over both the political and economic scenes as well as oil price doubts.

GKN, the engineering company held culprit for the particularly depressing mid-week spell, continued the fall since Wednesday's announcement of poor interim results and a shock warning regarding second-half prospects. Other leading industrial and financial groups, which subsequently released trading statements of a lacklustre nature, were also unable to regain favour.

Hopes of a technical rally developing as Account operators closed their outstanding positions prompted a steadier opening trend yesterday. The firmness of Wall Street on Thursday was another help but demand soon petered out and later in the session jobbers were often glad to sell stock of blue chip issues without the customary "new-time" penalties. Speculative favourites continued to command premiums for the privilege of carrying stock over the three-week trading period starting on Monday.

Few of the stocks savaged earlier in the week made any lasting recovery. GKN slipped back to 275p for a three-day drop of 71 while TI Group, which reported uninspiring interim results, failed to regain much of Thursday's sharp loss. The FT Ordinary share index, after posting an initial gain of over 6 points, resumed its downturn to close 4.1 lower at 1217.4. Over the five days, the index tumbled 56 points to its lowest level since mid-February.

Potential Gilt-edged buyers were unimpressed with the US bond market's upturn overnight following a better-than-expected Treasury bill auction. Brokers Wood Mackenzie said that the market was likely to stay becalmed until some lead appeared. Prices moved narrowly throughout the session and final changes were small and usually to slightly higher levels. Index-linked Gilts eased late on the announcement of fresh Government funding.

Composites steadier

Composites shrugged aside worries about possible claims arising from the floods in Sydney and made modest progress in anticipation of the forthcoming interim dividend season. Commercial Union, at 295p, and General Accident, at 800p, both due to report on Wednesday, rose 3 and 6 respectively.

Firmer conditions returned to the major clearing banks. Lloyds added 8 at 393p and Midland improved 4 at 547p, while NatWest hardened a few pence at 493p. Barclays, which fell 20 on Thursday in reaction to the disappointing interim results, rarely strayed from the overnight level of 455p. Irish Issues remained dull in the wake of the 8 per cent devaluation of the punt. Allied declined 4 more at 238p and Bank of Ireland eased 2 at 210p. Kleinwort Benson added 10 more to 760p on further consideration of the good interim figures and proposed 50 per cent scrip issue making a rise of 35 on the week. Rea Bros added 3 to 63p in response to the first-half results and Brown Shipley gained 10 at 485p. Leopold Joseph, however, lost 7 at 480p, after 470p.

Breweries continued to display modest losses as investors again pondered on the decision to refer the "tied" house system to the Monopolies Commission. Bass finished 5 off at 728p, after 723p, for a decline of 37 on the week, while Allied-Lyons eased another 5 for a fall of 20 over the five-day period to 307p. Similar losses were sustained by Whitbread A, 247p, and Grand Metropolitan, 370p.

Leading Buildings edged higher initially, but subsequently drifted back to close with small irregular movements on balance. Blue Circle, a dull market recently on worries about its South African interests and the threats posed by cheap Greek cement imports, softened a couple of pence more to 548p for a fall on the week of 27; sentiment here was not helped by rumours of a broker's profits downgrading. Rugby Portland Cement were a steadier market and held at 144p. Barratt Developments picked up 6 at 136p and George Wimpey added 2 to 200p, but John Laing again lacked support and softened 2 more to 414p. Ibstock Johnsen continued to reflect takeover hopes with a further rise of 2 to 186p and Watts Blake Bearne were a like amount higher at 192p for the same reason. Conder were marked 25 higher to 120p in reply to the better-than-expected interim results. Alfred McAlpine rallied 6 to 424p and John Mowlem firmed 2 to 380p.

Chemicals displayed an easier bias. ICI slipped to 977p prior to closing 2 off at 980p, while further profit-taking in the wake of the interim results clipped a couple of pence more from Yorkshire at 138p. Hickson International continued to react in the wake of the slightly disappointing half-year figures and shed 10 for a two-day fall of 17 to 388p. Wardle Storeys lost 7 to 318p and British Benzol gave up 4 at 65p.

Interest in the Stores sector remained at an extremely low ebb. Laura Ashley came on offer at 189p, down 6, while Storehouse improved a few pence to 323p as did Next to 238p. Elsewhere, Tip Top Drugstore touched 190p on the annual results before reacting to finish a net 5 easier on balance at 183p. Acsis Jewellery gave up a couple of pence at 9p and A. J. Gelfer lost 8 at 152p.

Leading Electricals ended the day on a slightly easier note. STC gave up 2 more to 144p making a fall of 22 since announcing disappointing interim figures last Monday. DJ Security Alarms, a strong market of late, reacted to 97p and closed 10 down at 100p following the company's statement that it is not involved in takeover talks of any description. Volex, in contrast, put on that amount to 253p in response to the chairman's statement. Occasional offerings left Kode 13 lower at 235p and Farnell 7 down at 148p, while Stone International eased 3 to 154p awaiting Monday's preliminary statement.

Engineers finished an eventful week on an uncertain note. GKN failed to hold an early rally and closed 3 easier on the day at 275p, after 281p. Hawker settled 6 higher at 487p and Vickers a shade better at 391p. Comment on the interim figures helped TI rally to 476p before falling back to end only 3 firmer on the day at 466p. Delta regained 8 to 175p, but Glynwed encountered further offerings and gave up 4 more to 292p making a fall of 20 on the interim figures.

Rowntree Mackintosh, a dull market earlier in the week following the £144m rights issue to finance the purchase of US confectionery group Sunmark, hardened a couple of pence to 372p ex the rights issue; the new nil-paid advanced 6 to 23Sp. Elsewhere, recently dull Food Retailers staged a modest recovery. Tesco put on 4 to 372p.

BOC group ease

Leading miscellaneous industrials opened on a slightly firmer note before drifting back largely for the want of support. BOC reacted following comment on the third quarter figures and closed 6 cheaper at 309p. Boots remained a sensitive market after the recent US acquisition news and 184.2m share placing; the shares rallied to 217p initially but eased back on fresh offerings to close only a few pence harder on the day at 214p, for a fall of 39 on the week. Beecham gave up 6 to 375p, but Metal Box resisted the trend, closing that amount higher at 160p. Elsewhere, Bestwood, helped by news of the acquisition of the Property Building Maintenance Company, put on 20 to 585p. Williams Holdings rallied 10 to 620p, while buying interest revived in Bridport Gundry, 8 better at 210p. British Aerospace reacted 8 to 483p after the previous day's burst of speculative activity, while J. W. Spear eased 5 to 198p following the half-year statement. Thermax hardened a couple of pence to 125p on news that Suter had increased its stake in the company to over 12 per cent. Eleco, the subject of an unwelcome bid from Whitecroft, held at 135p following the dividend forecast.

Jaguar returned to prominence in the Motor sector, rising 10 to 515p on Press comment; the group's interim figures are scheduled for August 18. Elsewhere, AE lost 4 more to 203p following the announcement that Turner and Newall's unwelcome bid would not be referred to the Monopolies Commission; "Turners" hardened a penny at 181p. Jonas Woodhead eased 4 at 64p after end-Account profit-taking in the absence of the widely-rumoured bid from Carclo.

Good Relations, after falling 12 the previous day on fading takeover hopes, rallied 5 to 93p, after 95p, ahead of Thursday's interim results. Brunning moved up 12 to 180p following comment on the annual results and Saatchi added a further 15 at 665p. Among Publishers, Octopus came on offer at 455p, down 20.

The Property leaders finally succumbed to selling with Land Securities falling 4 to 312p, and MEPC shedding 6 to 317p. Hammerson A gave up 15 to 420p and Slough Estates lost 4 to 165p. Peachey were finally 4 off at 266p. Elsewhere, recently-firm Frogmore came back 13 to 190p, while Rosehaugh shed 10 for a two-day fall of 55 to 565p. Abaco encountered end-Account offerings and closed 4 cheaper at 65p while recent high-flyer Parkdale slipped 3 to 77p.

Textiles were inclined harder in places. Burmatex revived with a rise of 8 at 182p, while Robert H. Lowe put on 5 at 120p. Youghal Carpets edged forward a fraction to 9½p.

Amalgamated Financial improved a couple of pence more for a two-day rise of 8 at 34p, after 36p, on further consideration of the proposed acquisition by publicly quoted Australian investment banking and financial group, HDFI, of a 23.53 per cent stake in the company. Among other Financials, Keywest Investments put on 12 at 274p and Oceana Consolidated firmed 3 at 55p.

IC Gas rise

A volatile week in the Oil sector finished on a relatively quiet note as operators continued to digest the implications of this week's OPEC agreement on production cuts. Shell settled 5 cheaper at 828p following further consideration of the interim results, while British Petroleum softened a penny to 587p. Ultramar encountered nervous selling in front of next Tuesday's interim statement and dipped to a year's low of 145p prior to closing a net 4 down at 148p. In contrast, I C Gas revived strongly on Petrofina takeover hopes and closed 18 higher at 435p. "New time" buying lifted Conroy Petroleum 4 to 152p, but occasional offerings left Triton Europe a couple of pence cheaper at 93p and Premier a penny off at 25p.

Grand Central, an outstanding market of late following an investment recommendation, softened a couple of pence on end-Account profit-taking and following news that Peacock (London) had reduced its stake in the company to 50.49 per cent, but still retained a gain of 11 on the week at 66p.

South African Golds, extremely subdued recently, came to life and finished the week on an active note reflecting substantial demand in the wake of the buoyant metal price.

Suggestions that an escalation of economic measures against the Republic's black neighbours may eventually result in disruptions to Gold supplies triggered fresh support of the metal. The recent strength of Platinum was also regarded as a contributory factor.

Widespread demand, including reported Russian participation, lifted bullion through a chart point of $365 and the close was finally $7⅜ up at $369.875 an ounce—a rise of $10.625 over the week. A number of leading London brokers expect bullion to attain $400 an ounce in the next week or two.

Dealers reported persistent and often sizeable demand for top-quality Golds from both London and the Cape, and although New York presented a more cautious tone, leading stocks closed around the day's best. Vaal Reefs, £38¼, rose over 3 points, while Randfontein, £42⅞, and Southvaal £17⅞, put on 2 and 1⅞ respectively. Among smaller-priced Golds, Winkelhaak 923p and Driefontein 755p, improved 67 and 43, while Harmony advanced 30 to 551p. The FT Gold Mines index rose 8.6 to 202.9.

South African Financials also returned to favour, notably recently dull Amgold which spurted almost 5 points to $35¼. Anglo American Corporation closed 25 to the good at 655p, while OPSIL finished ⅜ up at £12⅞. De Beers hardened 7 to 407p while "Anamint" put on a point to £41. London-registered concerns featured Consolidated Gold Fields which ignored the dull showing by domestic equities and rallied 31 to 454p.

Another strong showing by the Platinum price—the metal was fixed at $502.25 an ounce during the afternoon — lifted Rustenburg 25 more to 615p and Impala 20 to 635p.

Australians took a back seat to South Africans. Fresh local and overseas demand for Sydney and Melbourne markets failed to induce similar support in London. Golds, however, finished at the day's best reflecting the buoyant bullion price. Gold Mines of Kalgoorlie rose 12 for a gain of 60 on the week to 430p, while Central Norseman put on another 5 to 423p.

Traded options

Traded Options closed the week on a relatively subdued note. Hanson Trust, however, attracted a lively turnover and recorded 2,059 calls. Beecham were also in demand with 219 calls and 865 puts transacted. The FT-SE 100 index contract accounted for 864 calls and 1,220 puts. Total contracts done amounted to 14,016.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15

For rate indications see end of Unit Trust Service

Call options were taken out in Ryan International, Stewart Wrightson, Raine Industries, Parkdale, Press Tools, Amstrad, Marlborough Property, Armstrong Equipment, Britoil, Executex Clothes, STC, APV, Hestair, First National Finance, Lister, Rockware, Sound Diffusion, Parkfield, Jonas Woodhead, Norfolk Capital, Nu-Swift Industries, Celtic Haven, Lep, Norton Opax and Lonrho. A put was done in Parkfield, but no doubles were reported.

STOCK EXCHANGE DEALINGS

Details of business shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. Details relate to those securities not included in the FT Share Information services. Unless otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices. For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date.
† Bargains at special prices. ◊ Bargains done the previous day. ∆ Bargains done with non-member or executed in overseas markets.

CORPORATION & COUNTY

UK PUBLIC BOARDS

FOREIGN STOCKS

(coupons payable in London)

STERLING ISSUES BY OVERSEAS BORROWERS

BANKS, DISCOUNT

BREWERIES

COMMERCIAL, INDUSTRIAL

A—B

C—D

E—F

G—H

I—J—K

L—M

N—O—P

Q—R—S

T—U—V

W—Y—Z

FINANCIAL TRUSTS

INSURANCE

INVESTMENT TRUSTS

MINES—MISCELLANEOUS

MINES—SOUTH AFRICAN

OIL

PROPERTY

PLANTATIONS

RAILWAYS

SHIPPING

UTILITIES

WATER WORKS

UNLISTED SECURITIES MARKET

SPECIAL LIST

RULE 534 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List

Aberdare Cables Africa 60 (1.6(
Allied Stores Corp $51¼ (5/8)
Amsterdam-Rotterdam Bank Fl 107½◊ £31½ £31.60 Fl 111.6 (1 8)
Apple Computer £20◊ (5/8)
Ashton Mining 89◊ 71
Assoc Manganese Mines of SA £26¼◊ (5 8)
Atlantic Richfield £34⅛◊
Aust Foundation Inv 82 (5/8)
Avon Products £22⅛◊ $35¼ (6/6)
Baguio Gold Mining 8 ¼◊ (4/8)
Bayerische Motoren Werke DM 477.0◊ (6/8)
Bayerische Vereinsbank £100¼ (5/8)

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

Kenmare Oil Expln (Ir25p) 8½ (4/8)
North West Oil & Gas (20p) 8 (1/8)

(By permission of The Stock Exchange Council)

FINANCIAL TIMES STOCK INDICES

	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	88.86	88.86	89.02	89.21	88.65	83.29	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.77	95.76	95.87	96.12	95.47	88.44	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,217.4	1,221.5	1,233.7	1,265.8	1,261.5	959.5	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	202.9	194.3	193.3	193.1	196.5	337.2	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.51	4.50	4.46	4.35	4.37	4.87				
Earnings Yld.%(full)	10.93	10.91	10.81	10.58	10.63	11.99				
P/E Ratio (net) (*)	11.15	11.18	11.28	11.53	11.47	10.29				
Total Bargains (Est)	19,688	18,787	22,439	21,683	20,770	20,052				
Equity Turnover £m.	—	544.67	486.33	596.12	456.05	364.05				
Equity Bargains	—	20,894	19,454	20,707	17,830	17,885				
Shares Traded (ml).	—	271.8	225.3	266.8	234.4	182.8				

S.E. ACTIVITY

Indices	Aug. 7	Aug. 6
Gilt Edged Bargains	104.5	109.2
Equity Bargains	135.4	126.0
Equity Value	1100.9	983.0
5-Day Average		
Gilt Edged Bargains	112.4	113.1
Equity Bargains	122.8	119.4
Equity Value	978.9	956.2

♥ Opening 1225.9 | 10 a.m. 1227.0 | 11 a.m. 1222.2 | Noon 1216.1 | 1 p.m. 1213.3 | 2 p.m. 1213.7 | 3 p.m. 1213.4 | 4 p.m. 1214.8

Day's High 1228.0. Day's Low 1212.7.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=10.78.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Boots	214	+ 3	Jaguar	523	+18
British Aerospace	483	− 8	Next	238	+ 3
Burton	276	+ 2	Racal Elect.	178	− 4
Cookson	460	− 7	Rosehaugh	565	−10
OJ Sec. Alarms	100	−10	Shell Transport	823	− 5
Grand Metropolitan	370	− 6	Vaal Reefs	£36⅞	+ 3⅞

5-DAY ACTIVE STOCKS

Based on bargains over the five-day period ending Thursday

Stock	No. of changes	Thurs. close	Change on week	Stock	No. of changes	Thurs. close	Change on week
GKN	132	278	−65	Barclays	89	455	−43
Boots	112	211xr	−45	BTR	85	283	−10
BP	111	586	+18	ICI	82	982	− 8
Britoil	108	116	+11	RHM	74	232	+21
Shell Transport	99	833	+33	Amstrad	73	132	+ 6
Cable & Wire.	94	660	+ 7	Beecham	73	381	−24

THURSDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Thurs. close	Day's change	Stock	No. of changes	Thurs. close	Day's change
GKN	33	278	−12	NatWest Bank	19	490	−12
Reina Indusss.	20	66	− 2	Abaco Invsts.	18	69	—
Utd. Scientific	23	160	—	Banlox	16	45	+ 1
Barclays	22	455	−20	Boots	16	211xr	− 2
WSL	21	190	−10	Shell Transport	16	833	—
Pentland Inds.	20	415	—	Wiggins Group	16	146	—

RISES AND FALLS ON THE WEEK

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	49	10	47	165	283	117
Corporations, Dom. and Foreign Bonds	8	5	68	46	89	220
Industrials	233	410	860	1,067	2,085	4,412
Financial and Properties	114	128	336	468	695	1,727
Oils	14	21	81	147	115	318
Plantations	2	4	8	12	8	55
Mines	64	23	99	229	157	484
Others	64	66	107	338	292	550
Totals	546	676	1,608	2,532	3,734	7,883

LEADERS AND LAGGARDS

Percentage changes since December 31 1985 based on Thursday, August 7 1986

Metals and Metal Forming	+ 34.81	Food Manufacturing	+ 13.20
Textiles	+ 31.14	Banks	+ 12.22
Motors	+ 30.17	Industrial Group	+ 11.51
Publishing and Printing	+ 29.84	Brewers and Distillers	+ 11.27
Contracting, Construction	+ 27.43	500 Share Index	+ 11.05
Chemicals	+ 21.77	All-Share Index	+ 10.93
Packaging and Paper	+ 21.44	Financial Group	+ 10.36
Building Materials	+ 20.78	Office Equipment	+ 8.71
Health and H'sehold Products	+ 10.46	Electronics	+ 6.52
Tobaccos	+ 10.26	Oils and Gas	+ 7.77
Leisure	+ 17.69	Stores	+ 7.73
Other Industrial Materials	+ 17.68	Shipping and Transport	+ 4.07
Capital Goods	+ 17.11	Overseas Traders	+ 3.48
Investment Trusts	+ 14.22	Insurance (Life)	+ 3.06
Mechanical Engineering	+ 13.98	Other Groups	+ 2.30
Electricals	+ 13.95	Mining Finance	+ 2.29
Insurance (Composite)	+ 13.92	Insurance Brokers	+ 0.16
Merchant Banks	+ 13.92	Food Retailing	− 0.28
Property	+ 13.62	Telephone Networks	− 14.34
Consumer Group	+ 13.34	Gold Mines Index	− 22.21

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (39)

BRITISH FUNDS (1) Treas 2pc IL '88. AMERICANS (3) Pacificorp, Quaker Oats, RJR Nabisco. CANADIANS (2) ...

NEW LOWS (43)

BRITISH FUNDS (1) Treas. 3pc 1991. CANADIANS (1) Variety Corp. BUILDINGS (1) Latham (J.). STORES ...

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]											
§40	F.P.	31/7	42	35	ǂSoundtracs 5p	35	......	b1.2	2.1	4.5	14.8
§98	F.P.	6/8	106	98	ǂSpace Planning 10p	99	+1	R1.8	2.8	4.8	10.4
§110	F.P.	28/8	125	119	Stanley Leisure	120	−1	u3.25	3.4	2.6	16.1
138	F.P.	21/8	151	137	ǂTV-am 10p	150	......	R5.75	2.8	3.8	13.3
§95	F.P.	25/7	114	104	ǂTask Force 5p	106	−2	R1.78	2.6	5.4	10.0
112	F.P.	8/8	143	116	Tenby 50p	143	+4	p4.0	3.8	2.4	15.7
190	F.P.	1/8	242	219	Thames TV	224	......	u9.5	2.6	3.9	11.1
120	F.P.	6/8	130	100	Tibbet & Britten 5p	127	+1	R3.5	1.9	6.0	12.6
§63	F.P.	22/8	68	65	Unilock 20p	66	+1	1.98	2.6	3.9	14.2
‡‡	F.P.	—	160	152	VSEL Consortium £1	155	+2	W5.68	2.7	4.2	12.5
††	F.P.	—	100	95	Welsh Ind. Inv. Tst. 5p	100	......	—	4.3	5.2	4.9
106	F.P.	22/8	112	101	Windsmoor 5p	101	−1	u3.25	2.3	4.5	13.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
**	F.P.	—	135	135	Authority Invs. 8% Cnv. Uns. Ln. 2006-11	135	−10
§97.947	£25	17/9	27¼	25¾	Bankers Inv. Tst. 10½% Deb. 2016	26⅛	......
£100	£10	—	9¾	9½	Bournem'th & Dist Wtr 10⅝%Rd Db 1996	9¾	+¼
§100p	F.P.	15/8	107p	105p	Business Mortages Tst. 8.6%Cum Prf.	106p	......
109.89	£40	29/8	40	36½	Estates & Gen. 11¼% 1st Deb. 2018	37¼	......
‖	F.P.	29/8	115p	102p	ǂFergebrook 12% Cnv Uns Ln 1992-97	105p	......
97.963	£25	24/10	20⅝	19	Gt. Portland 9½% 1st. Mort. Deb. 2016	19¾	+¼
—	—	—	29	28½	JF Pacific Warrant S. A. Pref.	28½	......
105.523	£25	21/8	26	18	Land Securities 10% 1st. Mort. Deb.25	18⅝	+⅛
§99.793	£25	24/9	24⅝	20¾	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	20⅝	−⅛
¶¶	F.P.	—	101	95	Mercury Intl. 7¾% Cum Pref.	98	......
—	F.P.	—	100¼	99⅞	Nationwide 10⅛% 27/7/87	99⅞	−¼
§99.937	£25	24/10	25⅛	23¼	Do 3⅞% IL Ln. 2021	24¼	+⅛
¶100	F.P.	2/9	99	97	Newcastle & Gate. Wtr. 7% Red. Prf. 94/6	97	......
¶¶	F.P.	—	108	104	Rea Bros. 8.6% Cnv Prf	108	......
‖	Nil	—	4pm	1pm	Scantronic 5.75% Cnv. Cum. Red. Prf.	1pm	−1
‖	Nil	—	3pm	2½pm	Stewart Est. 6¼% Cum. Cnv. Red. Prf.	3pm	+½
‖	Nil	—	5pm	¼pm	Utd Leasing 9½% Cnv. Sub Uns Ln '98–2001	¼pm	−¼
‖ ‖	F.P.	—	101¼	101	VSEL Cons.11% Uns. Ln. 1996	101	......
—	F.P.	—	110	107	Wight C'ns Cv. Cu. Rd. Prf. 1999 10p	109	......

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
49	F.P.	29/8	85	65	Abaco Invs. 5p	65	......
12	Nil	19/9	1¼pm	¼pm	Barker & Dobson 1p	¼pm	−¼
39	Nil	—	2pm	1½pm	Blackwood Hodge	1½pm	......
170	F.P.	2/9	195	186	Coloroll 10p.	195	......
145	F.P.	20/8	185	157	Dataserv. Inc. 5c.	157	−3
165	F.P.	28/8	185	162	Expamet Intl.	162	......
5	Nil	12/9	25½pm	12pm	ǂHobson 5p	21½pm	−½
330	Nil	26/9	81pm	58pm	London United 20p.	58pm	......
200	F.P.	29/8	223	210	ǂMeadow Farm Prod. 10p	220	......
120	Nil	19/9	23pm	17pm	Medminster 10p	20pm	......
35	Nil	12/9	30pm	20pm	ǂRockwood 10p	20pm	−5
350	Nil	—	28pm	15pm	Rowntree Mackintosh 50p	28pm	+6
44	F.P.	28/8	50	45½	ǂSheraton Secs. 10p	47	......
200	Nil	...	23pm	19pm	TVS N/Vtg. 10p	21pm	......
125	Nil	24/9	18pm	11pm	ǂTod 5p	18pm	......
90	F.P.	17/9	92½pm	88	Top Value Inds. 10p	88	......
38	F.P.	28/8	40½	37	ǂYelverton Invs. 5p	37	......
41	F.P.	29/8	76	62	ǂYork Mount	62	......

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures † Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖ ‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ǂ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$340	123	30	29	34	—	—	$369.25
GOLD C	$350	39	17.50	11	27	100	34	"
GOLD C	$360	218	10	63	20	6	25	"
GOLD C	$370	72	4	144	16	2	188	"
GOLD C	$380	106	2	172	9	110	15	"
GOLD P	$320	—	—	15	1	—	—	"
GOLD P	$330	—	—	10	1.80	10	2.50	"
GOLD P	$340	—	—	100	3	—	—	"
GOLD P	$350	20	0.50	53	5	20	6.50	"
GOLD P	$360	40	1.50	382	68	30	10	"
GOLD P	$370	20	4.50	509	10	—	—	"
		Sept.		Dec.		March		
£/FL C	Fl.345	—	—	15	7.80	25	8.60	Fl.343.84
£/FL C	Fl.360	—	—	10	3.30	—	—	"
£/FL C	Fl.375	—	—	—	—	11	2.30	"
£/FL C	Fl.385	—	—	—	—	30	1	"
£/FL C	Fl.415	10	0.10	—	—	—	—	"
$/FL C	Fl.230	2	5.60	60	8.70	—	—	Fl.233.40
$/FL C	Fl.235	40	3.40	180	6.10	—	—	"
$/FL C	Fl.240	205	1.40	—	—	—	—	"
$/FL C	Fl.255	10	0.50	—	—	—	—	"
$/FL C	Fl.265	—	—	—	—	30	1.40	"
$/FL P	Fl.225	144	1.10	3	3.90	—	—	"
$/FL P	Fl.230	59	2.90	1	5.90	—	—	"
$/FL P	Fl.240	17	8.50	46	12	—	—	"
$/FL P	Fl.245	43	12.50	40	15.20B	—	—	"
$/FL P	Fl.250	22	17	—	—	—	—	"
$/FL P	Fl.265	20	31.70	—	—	—	—	"
		Oct.		Jan.		Apr.		
ABN C	Fl.640	394	12.90	48	19.20B	—	—	Fl.628
ABN P	Fl.600	74	9A	29	11.50	—	—	"
AEGN C	Fl.110	291	3.20	96	6.60	—	—	Fl.105.50
AEGN P	Fl.100	32	2.10	56	3.90	—	—	"
AH C	Fl.98	31	9	20	10.70	—	—	Fl.95.50
AH P	Fl.90	22	2.30	—	—	—	—	"
AKZO C	Fl.160	750	8	76	12.80	3	16.30	Fl.161
AKZO P	Fl.160	890	4.30	197	6.80	10	9A	"
AMEV C	Fl.85	456	2.40	37	4.10	—	—	Fl.80
AMEV P	Fl.88	246	3.50	—	—	11	6.20	"
AMRO C	Fl.125	227	1.30	—	—	—	—	Fl.109.50
AMRO P	Fl.105	96	1.50	32	4	13	5.50	"
GIST C	Fl.50	230	6.50	10	7.50	10	9	Fl.54.50
GIST P	Fl.52	203	1	5	1.80	—	—	"
HEIM C	Fl.180	44	3.50	37	6.80	—	—	Fl.170
HEIM P	Fl.170	22	5	4	6	1	9	"
HEO P	Fl.172.50	30	4	—	—	—	—	"
HOOG C	Fl.120	701	2	267	4.30	—	—	Fl.104.70
HOOG P	Fl.100	272	3	24	4.80	—	—	"
KLM C	Fl.45	427	3.40	37	5.30	20	6.50	Fl.47
KLM P	Fl.45	265	1.80	28	2.80	1	3.70	"
NEDL C	Fl.190	27	1.30	—	—	—	—	Fl.162.50
NEDL P	Fl.160	19	4.80	1	7.30	3	8.50	"
NATN C	Fl.85	201	3.60B	23	6.80	4	7	Fl.83
NATN P	Fl.75	33	1.10	10	1.50	—	—	"
PHIL C	Fl.55	1128	1.80	1240	3.20	131	4.20	Fl.50.80
PHIL P	Fl.50	303	2.30	43	3.30	44	4	"
RD C	Fl.180	660	11.80	15	15.30	—	—	Fl.189.50
RD P	Fl.180	624	2.50	140	48	3	5	"
UNIL C	Fl.520	148	11.30	33	23	5	33	Fl.499.60
UNIL P	Fl.440	71	1.30	40	4.40	—	—	"

TOTAL VOLUME IN CONTRACTS: 33,381

A=Ask B=Bid C=Call P=Put

BANK RETURN
BANKING DEPARTMENT

	Wednesday August 6, 1986		Increase (+) or decrease (−) for week
LIABILITIES	£		£
Capital	14,553,000		—
Public Deposits	78,411,127	−	7,380,871
Bankers Deposits	855,083,828	−	65,634,393
Reserve and other Accounts	1,452,700,180	+	85,797,694
	2,400,748,135	+	12,782,430
ASSETS			
Government Securities	596,681,311	+	73,970,000
Advance and other Accounts	571,306,036	−	30,583,807
Premises Equipment & other Secs.	1,222,403,353	−	32,104,784
Notes	10,130,478	+	1,536,145
Coin	226,957	−	35,124
	2,400,748,135	+	12,782,430

ISSUE DEPARTMENT

	£		£
LIABILITIES			
Notes in Circulation	12,697,869,522	−	13,536,143
Notes in Banking Department	10,130,478	+	1,536,145
	12,690,000,000	−	30,000,000
ASSETS			
Government Debt	11,015,100		—
Other Government Securities	3,388,296,859	+	232,760,133
Other Securities	9,290,688,041	−	262,760,133
	12,690,000,000	−	30,000,000

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Abbey Unit Tst. Mngrs. (a)

[illegible]

Allied Dunbar Unit Trusts PLC (a)(g)

[illegible]

Anthony Wieler Unit Tst. Mgmt. Ltd

[illegible]

Arbuthnot Securities Ltd (a)(c)

[illegible]

Archway Unit Tst. Mgs. Ltd(a)(c)

[illegible]

Arkwright Management

[illegible]

Atlanta Unit Managers Ltd

[illegible]

Baillie Gifford & Co Ltd

[illegible]

Baltic Trust Managers Ltd

[illegible]

Barclays Unicorn Ltd(a)(c)(g)

[illegible]

Baring Fund Managers Ltd

[illegible]

Barrington Mgmt Co Ltd

[illegible]

Bell Court Fund Mngt PLC

[illegible]

Bishopsgate Progressive Mgmt. Co

[illegible]

Brewin Dolphin Unit Tst Mngrs Ltd

[illegible]

Bridge Fund Managers (a)(c)

[illegible]

Britannia Unit Trust Managers Ltd (a)(c)(g)

[illegible]

Brown Shipley & Co Ltd (a)(g)

[illegible]

Bryant Unit Trust Mgrs Ltd

[illegible]

Buckmaster Management Co Ltd (a)(c)

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.5	19.7	.....	0.15
Pacific Basin	13.6	14.5	+0.4	0.2
Canadian Balncd Grwth	56.2	60.1	-0.2	0.98
Simple Mae	101.7	105.9	-0.4	7.2

WestAvon Unit Trust Managers Ltd(a)(c)
7 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	54.8	56.4	-0.7	1.50
British Growth (z)	64.3	66.1	-0.6	2.00
British Income (z)	63.4	65.2	-0.5	5.00
British Extra Yield(z)	50.5	51.9	-0.2	7.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.6	68.7	.....	0.00
U.S. Govmnt Bond F	50.507	0.509	.....	—

Windsor Trust Mngrs Ltd
33 Kingsway, London, WC2B 6SD 01-405 8331

Convtbl & Equity Tst	46.9	49.9	-0.8	7.83
Growth Trust	48.6	52.0	-0.3	2.34
Income Trust	51.0	54.3	-1.1	5.40

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.1	70.6	.....	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	120.7	128.9	-0.1	3.55

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Man...)
PO Box 95 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 8		-4.3	—

Abbey Life Assurance C
80 Holdenhurst Road, Bournem. 0202 292373

Prop. Ser. 1	206.3			—
Equity Ser. 1	96.6			—
Prop. Acc. Ser 2	277.7	292.4	-0.1	—
Equity Ser 2	105.0	110.6	-0.1	—
Selective Acc.	231.1	243.3	+0.1	—
Prop. Ser. 4	219.2	230.8		—
Equity Ser 4	103.8	114.6	-0.1	—
Fixed Int. Ser 4	188.8	198.8	-0.1	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	96.0	101.0	+1.0	—
Risk & Reward Bond	115.0	122.0	.....	—
Murray Johnstone Fd	125.0	132.0	.....	—
Money Market Fd	100.0	106.0	.....	—
Ivory & Sime Pens Fd	96.0	102.0	.....	—
Risk & Reward Pens Fd	97.0	103.0	-1.0	—
Murray Johnstone Pens Fd	114.0	120.0	.....	—
Money Market Pens Fd	100.0	106.0	.....	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series

Property Fund	111.2	117.1	.....	—
Money Fund	220.5	232.2	+0.2	—
Managed Fund	398.2	419.2	+1.4	—
Equity Fund	244.8	257.7	-2.0	—
Fixed Interest Fund	149.4	157.3	-0.6	—
Far East Fund	208.6	219.6	-0.6	—
North American Fund	167.2	176.0	.....	—
Natural Resources Fund	121.6	128.0	-0.5	—
Pension Managed Fund	368.0	387.4	-1.3	—
Pension Equity Fund	232.3	244.6	-0.8	—
Adventurous Mixed Fd	100.1	105.4	.....	—
Balanced Mixed Fd	100.1	105.4	.....	—
Conservative Mixed Fd	100.1	105.4	.....	—
European Fund	100.1	105.4	.....	—
International Fund	100.1	105.4	.....	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	129.8	136.7	+0.2	—
Equity	144.3	152.0	-0.5	—
Property	109.3	114.1	.....	—
Gilt & Fixed Interest	116.0	122.5	.....	—
Indexed Securities	100.6	105.9	+0.3	—
Cash	106.9	112.6	.....	—
North American	106.2	111.8	+0.4	—
Far East	129.0	135.8	-1.1	—
International	123.4	129.9	+0.2	—
Special Situations	142.5	150.0	+0.3	—
International Income	135.1	142.3	+0.2	—
American Income	113.4	119.4	.....	—
European	142.8	150.4	+0.4	—

Flexible Retirement Plan

Mixed	133.5	140.6	+0.2	—
Equity	129.1	145.5	+0.3	—
Property	112.5	118.5	+0.3	—
Gilt & Fixed Interest	121.9	128.4	+0.1	—
Indexed Linked	104.1	109.6	+0.6	—
Cash	114.6	120.7	.....	—
North American	111.0	116.9	+1.0	—
Far East	144.6	152.3	-1.8	—
International	129.7	136.6	+0.2	—

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund SA
2 Boulevard Royal, Luxembourg
World Fund NAV $12.35 +0.10 —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $15.46 —
Inv. Adv.: M. & G. Inv. Mngt. Ltd. London

Yamaichi Dynamic Mngt Co SA
10A, Boulevard Royal, Luxembourg
Advanced Tech $16.25 -0.15 —
Dynamic Gwth Fd $19.90 -0.05 —

Zero Bond Fund Limited
PO Box 200, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $11.59 12.58 —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.50			3-Mth
The Money Market Trust 65 Qn Victoria St, EC4V 4ST. 01-236 0952				
Call Fund	9.73	7.42	10.10	6-Mth
7-day Fnd	9.60	7.27	10.47	6-Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	9.63	7.23	10.33	6-Mth
7-day Fund	9.55	7.15	10.25	6-Mth
Dollar	5.53	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8464				
Full Service Cur Acc	9.25	6.90	9.03	Qr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.58	Qr
Mth. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.30	6.95	10.11	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.00	10.12	Qr
... 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.54	7.19	10.31	Qr
Money Acc	9.36	7.08	10.20	Qr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	9.125	6.82	9.52	Mth
Over £10,000	9.375	7.01	10.30	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 1SE 0752 224141				
High Int Chq Acc	10.00	7.47	10.81	Qr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.00	8.22		Qr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ϕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	MEI	11
Amstrad	23	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	16
BSR	11	Polly Peck	16
BTR	28	Racal Elect.	16
Babcock	17	RHM	23
Barclays	45	Rank Org Ord	45
Beecham	40	Reed Intnl	75
Blue Circle	55	STC	16
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	27	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	13
Charter Cons.	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	95	MEPC	32
Grand Met	54	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min.	$2\frac{1}{2}$
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd.	48	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	35	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk.	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	1986 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
102	100	Exch. 14pc 1986	100	−	13	10.07
98	94	Exch. 2½pc 1986	98	.....	[illegible]	6.98
102	100	Exch. 13¼pc 1987	101	+	[illegible]	9.72
100	97	Treas 10¼pcCv '87	100	−	[illegible]	9.77
97	92	Exch 2½pc 1987	97	.....	[illegible]	7.06
101	97½	Exch. 10½pc 1987	100	.....	[illegible]	9.82
98	93	Funding 6½pc '85-87‡‡	98	.....	[illegible]	9.00
101	96	Treas. 10pc 1987	100	−	9.7	9.77
97	90	Treas 3pc 1987	96	−	[illegible]	7.26
104½	99	Treas. 12pc 1987	102	−	11.7	9.80
99	92	Treas 7¾pc 1985-88‡‡	97	−	7.9	9.31
104	96	Exch 10½pc '88	101	.....	10.3	9.70
102	95	Treas 9½pc Cv '88	100	.....	9.74	9.64
94	86	Transport 3pc '78-88	92	−	3.24	7.21
102	93	Treas. 9½pc '88	99	+	9.53	9.59
107	98	Treas 11½pc 1989	104	.....	11.04	9.61
103½	93	Treas 9¼pc Cnv. '89	99	+	9.52	9.56
92	82	Treas 3pc 1989	89	−	3.36	7.32
105	95	Treas 10½pc 1989	102	.....	10.29	9.61
104	94	Exch.10pc 1989	101	+	9.90	9.60
107	97	Exch 11pc 1989	103	.....	10.62	9.62
93	84½	Treas 5pc 1986-89	91	−	5.49	8.22
110	94	Exch 10¼pcCv '89	105	.....	4.7	8.37
114	103	Treas 13pc 1990‡‡	110	+	[illegible]	9.41
108	97	Exch 11pc 1990‡‡	104	+	[illegible]	9.47
113	101	Exch. 12½pc 1990	108	+	[illegible]	9.54
89	79	Treas. 3pc 1990	86	−	[illegible]	7.31
100	89	Treas 8¼pc 1987-90‡‡	97	−	[illegible]	9.10

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
80	44	♥Colby Res Corp	44	−2½	—	—	—
300	115	Cons. Murch. 10c	115	.....	Q100c	ϕ	17.5
34	26	☨Emex Int. Ir10p	27	....	—	—	—
102	70	Greenwich Res	85	.....	—	—	—
157	93	Hampton Areas 10p	146	....	ϕ1.0	—	1.0
305	165	♥Highwood Res	305	+29	—	—	—
£19⅝	£13⅜	Homestake Mining $1	£15⅞xd	+⅛	Q20c	—	0.9
310	175	♥McFinley Red Lake	181	.....	—	—	—
285	166	♥Musto Explorations	166	−3	—	—	—
51	31½	♥New Sabina Res C$1	32½	−½	—	—	—
260	200	Northgate C$1	257	+27	—	—	—
790	513	RTZ	547	+4	22.0	2.8	5.7
£164	£115	Do. 9½pcLn '95-2000	£121½	−1	Q9½%	15.5	f7.9

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price-earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ⊕ "Tap Stock".
- • Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ☨ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☨☨ Dealt in under Rule 535(3).
- ∯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ¢ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ∦ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	59	−1
Craig & Rose £1	900	......
Finlay Pkg. 5p	42	......
Holt (Jos) 25p	805	......
IoM Stm. £1	66	......
IRISH		
Fund 11¼% 1998	£100⅜	......
Nat. 9¾% 84/89	£96½	......
Fin. 13% 97/02	£114⅞	......
Arnotts	515	......
CPI Hldgs	45	......
Carroll Inds.	150	......
Dublin Gas	30	......
Hall (R. & H.)	70	......
Heiton Hldgs.	28½	−½
Irish Ropes	95	......
Unidare	210	......

" Recent Issues " and " Rights " Page 23
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FINANCIAL TIMES

Saturday August 9 1986

Arrested Ulster MP due in court

BY HUGH CARNEGY IN DUBLIN

MR PETER ROBINSON, the Democratic Unionist MP detained in the Irish Republic, was due to be charged last night with public order offences connected with the cross-border incursion by Northern Ireland loyalists early on Thursday morning.

It was understood he would not face a more serious charge under the Offences Against the State Act under which he was originally arrest. He was expected to appear in court in Ballybay, County Monaghan.

The action against him was expected as police in Northern Ireland re-routed a loyalist parade last night in Keady, a mainly Roman Catholic town near the border in County Armagh.

The move met with angry protests from the marchers. It was the first of the rival nationalist and loyalist marches planned for the weekend.

The highly-charged events of the past few days, which have seen an exchange of death threats between the IRA and Protestant paramilitary groups, have tested the Government.

Mr Tom King, the Northern Ireland Secretary, said the security forces were at "maximum stretch" to combat unrest stemming from opposition to the Anglo-Irish Agreement from both loyalists and the IRA.

Officials of the DUP said they believed Mr Robinson was being detained deliberately until after the Keady march to prevent him appearing there.

The march by the Apprentice Boys, an organisation which commemorates the Protestant defence of Londonderry against Catholic forces in 1689, was re-routed from the centre of Keady because of fears of serious disorder. Local nationalists, including Mr Seamus Mallon, the Newry and Armagh MP, had called for the march to be banned.

Nationalists are due to hold their own demonstrations this weekend to mark the anniversary of the introduction on August 9 1971 of internment without trial, a policy now abandoned. The main event is a march up West Belfast's Falls Road on Sunday organised by Sinn Fein, the political wing of the IRA.

There are more marches by both sides next week, dominated by the Apprentice Boys' biggest annual parade in Londonderry on August 12.

Employers yesterday reported little immediate absenteeism following a threat on Thursday by the illegal Ulster Freedom Fighters to kill anyone linked to the IRA, or Catholics working in Protestant areas. This followed an IRA threat to kill civilians working for the security forces. Thirty Catholics on a County Antrim building site were reported to have heeded a direct threat from another loyalist paramilitary group, the Protestant Action Force. Three more small companies also said they would stop supplying goods to the security forces.

While the political consequences of the latest unrest are still unclear, Mr Robinson's arrest has again hoisted him to the forefront of hardline loyalism.

This contrasts with the belief that his party leader, the Rev Ian Paisley, is losing some of his old fire. Mr Paisley was reported yesterday to be cutting short a foreign trip because of Mr Robinson's actions, which he said he fully supported.

Mr Robinson has cultivated his tough image this year as other Unionist politicians have been undecided whether to take constitutional or street opposition to the Anglo-Irish accord. He was instrumental in sinking an initial agreement by Mr Paisley and Mr James Molyneaux, leader of the Official Unionists, to enter talks with Mrs Thatcher in February, and played a prominent role in the one-day strike on March 3, which flared into violence.

Hornby plans USM flotation

By Alice Rawsthorn

HORNBY, the train-set manufacturer which only five years ago was in the hands of the receiver, has signalled its intention of joining the Unlisted Securities Market.

The company, together with Laing and Cruickshank, its stockbroker, is planning a flotation, provisionally for November, which should capitalise it at slightly less than £15m.

The Hornby factory in Margate, Kent, where Dublo and Golden Arrow engines are made, has braved the rigours of recession in the toy industry.

It survived the collapse of its parent company, Dunbee Combex Marx, in 1980, only to lurch into a loss and call in the receiver the following year. Although Hornby's adult customers were still buying its train sets, the younger generation had turned to more sophisticated, electronic toys.

A group of institutional investors led by Citicorp, the US bank, put together a £10m rescue and installed Mr Jack Strowger, former managing director of Thorn-EMI, as chairman and Mr Keith Ness as managing director. Within two years, Hornby returned to profit.

Toy trains are still the core of its business. Thomas the Tank Engine has converted younger toy owners to the train set, while British Rail has inadvertently boosted sales by frequently changing its livery.

However, it is Hornby's excursions into new territory, chiefly "character merchandising," that have salvaged the company's fortunes.

The Flower Fairies, a whimsical collection of dolls based on the characters in a series of Edwardian children's books, have recently boosted profits. Heliotrope, Goelder Rose, Almond Blossom and their accessories emerged as the 14th best-selling toy range in Britain last year.

The company sells trains, Scalextric car sets and dolls all over the world. In the year to December 30, it produced pre-tax profits of more than £850,000 and should produce more than £1m this year.

THE LEX COLUMN

Dog-days in the market

When the market has fallen about 8 per cent in a month, and last reached a new peak as long ago as April, even the most care-free of committed bulls must begin to ask if the slippage is more than a normal silly-season correction. Without claiming to have seen the turning point down into a long-drawn bear market, there are plenty of traders who fear that the driving forces of cheaper money and higher earnings may be stalling. There is no doubt that scepticism has imperceptibly become the respectable view of equities.

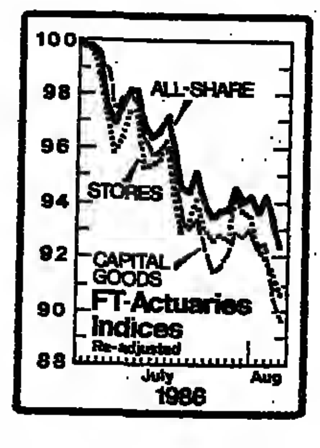
This week, the sceptics—and closet bears—were given some more hooks on which to hang what had hitherto been rather hand-waving arguments for distrusting the market. Extrapolation as a tool for valuing equities is notoriously prone to pile error on error; and a prolonged trend of earnings growth invariably leads to compounded over-optimism. When historic bellwether companies like GKN publish disappointing profits and wring their hands at the months to come, forecasting with rulers is apt to come apart in brokers' hands.

Local difficulty

This is no bad thing, even if the reason for this sudden dismay is too localised to justify a generalised down-grading of industrial prospects, or even pessimism about the manufacturing sector. GKN is less of an indicator than it used to be, simply within engineering; compared with the £5bn capitalisation of BTR, GKN was not a heavyweight institutional stock before the accident which dropped it by a further £150m. Even if the much-reduced engineering sector were faced with more difficult conditions than so far seem likely, its de-geared balance sheet and slimmed-down operating structure imply that a 1980-81-style collapse would not be on the cards.

More generally, though, the City's mood of optimism in the spring has left an uncomfortable residue in the inflated multiples on which many stocks —outside banking and oils— are still valued. Prices have come down, with waning confidence in earnings forecasts, but they have not generally fallen far enough to reduce prospective multiples. That should, however, be the consequence

Index fell 4.1 to 1,217.4



of any serious conversion to lower growth rates and of realising there is a smaller dividend stream to discount.

The early optimism itself was based, to a remarkable extent, on expectations of a two-pronged effect of falling oil prices: increased cash flow for both companies and individuals appeared to underwrite fatter margins and higher demand. It rapidly emerged that oil companies and the international tax-gathering system have, either through cartels or conspiracies, ensured that neither effect has been at all marked in the UK.

Virtuous compared to the Japanese, where oil-product prices have actually risen in dollar terms, the oil companies have at least permitted UK consumers to take some of the windfall profit. But not much, as BP and Shell's outperformance of industrial equities over the past couple of months has belatedly recognised.

Oil exporter

Britain, though the Government may pretend otherwise, is a net oil exporter. The initial rise in UK equities was thus a strange response to falling oil prices, for a market which had come to equate a high oil price with general prosperity, and with a low PSBR. It took an unusually incisive propaganda campaign from the Treasury, and US buying, to steer mainstream market thinking in an upward direction. And a sudden recovery in the oil price this week unfortunately reminded the market that it used to think the opposite. Spontaneously deciding that the 50 per cent rise in oil was a good thing, the market had then to perform a double-take, or confess that many of its earlier industrial earnings projections were falsely grounded.

Whatever people really think of weight-of-money arguments, there is no denying that they can be brought to bear on market mood. First quarter optimism was egged on by talk of institutions selling US bonds and needing a UK home for the money. Like the absence of rights issues, the presence of cash takeovers was also a helpful sales point. In gloomier midsummer, it is just as easy to run the whole story backwards, and make the jobbers feel miserable; with not a serious takeover in sight and two large equity issues this week, bad news could be made to count double.

The lack of real volume, even in the first session of the new account yesterday afternoon, makes it clear that the market is not dropping off a cliff. Too many people were either on the beach or playing cards in dealing rooms for that; one major broker confessed that both telephone calls his desk had handled yesterday were from the same frustrated client. It is nonetheless hard to see what can be expected to revive the market, unless there were to be an opinion poll showing a 15 per cent lead for Mrs Thatcher, a US trade surplus of $100m in the third quarter, or reflation in West Germany.

Bolt-hole

On a scaled-down version of earnings growth — to, say, 12 per cent this year — the market multiple is not yet noticeably cheap at about 12½ times. Nor is the ratio of gilt-edged to equity yields reaching a cyclical low; at something over 2½ times, the yield ratio is not saying that equities have been over-sold. It could take another 5 per cent off the All Share to provoke a rally based on sheer price-driven demand.

Gilt-edged are admittedly balancing the political risk of a Welsh prime minister against the possibilities of an international interest rate fall in the autumn. But those who are chary of Labour Administrations and two-year earnings projections under any Government have at least got the bolt-hole of index-linked.

SE Third Market will carry risk warning

By Nick Bunker

BROKERS DEALING in small companies' shares on the new Stock Exchange Third Market will have to give a risk warning to investors, the exchange has decided.

The Third Market is intended to provide access to venture capital to small growing companies not yet ready to enter the Unlisted Securities Market or seek a full Stock Exchange listing. It will compete with the existing, unofficial over-the-counter market in small companies' shares.

Companies with as little as one year's audited accounts will be eligible for the new market, as will greenfield concerns undertaking well-researched and costed projects. Prospective Third Market companies will however have to find a Stock Exchange member firm to sponsor them through the entry process.

The market may face a possible rival from plans by Harvard Securities, the largest UK market-maker in over-the-counter stocks, to set up an exchange based on an electronic publishing company with which Harvard is linked.

This would then apply for authorisation as a Recognised Investment Exchange from the Securities and Investments Board, the City's new regulatory body.

Yesterday's final rules for the Third Market, published by the stock exchange, show few substantial changes from the initial proposals unveiled on May 22.

Consultations have been held in the interim with more than 200 exchange member firms, licensed securities dealers and government and industry bodies.

One of the main changes from the initial proposals will allow property and commodities dealing companies access to the market, if they can obtain special permission from the exchange's quotations committee.

Japan to boost defence spending in response to Soviet build-up

BY IAN RODGER IN TOKYO

THE JAPANESE Government is planning to increase its defence forces, even if this means breaching its 10-year-old policy restricting military spending to 1 per cent of GNP.

The move will be welcomed by the US, which has long demanded that Japan contribute more to its own defence, and by Japan's increasingly competitive defence industries.

But it will upset some of the country's Far Eastern neighbours as well as many Japanese who fear the prospect of Japan becoming a major military power again.

The change in defence policy was signalled in a White Paper published yesterday following approval by the cabinet.

The paper said Japan had to increase its armed forces and equipment in response to a "persistent" build-up of military strength in the Pacific area by the Soviet Union.

It said the Soviet Union was trying to expand its sphere of influence in the north Pacific region. In the past year alone, the number of SS-20 intermediate missiles in Siberia had risen from 135 to 162.

The paper described the north Pacific region as "a very complicated situation" because it involved military confrontations between the US and the Soviet Union and between China and the Soviet Union. Japan had a special stake in peace and stability in the Korean peninsula, where military tension still existed.

Japan's current defence policy, established in 1976, limits its military forces to 180,000 troops, 60 anti-submarine warships and 430 combat aircraft.

The White Paper said the Government could raise those limits if it decided that a change was needed in response to "trends of military and technological standards of other nations."

Japan's basic policy remains that of self-defence. It seeks to maintain its ability to fight off a small-scale invasion while relying on the US for protection in the event of a full-scale invasion.

Japan currently spends Y3,300bn (£14.5bn) a year on defence. Last September, it approved a five-year plan to spend a total of Y18,400bn. At the time, it said this plan would stay within the 1 per cent of GNP guideline, but that looks unlikely now that economic growth is slowing.

The US enthusiasm for greater Japanese defence spending has been in part related to the problem of Japan's huge trade surplus with the US. However, US hopes of a bonanza of sales of aircraft and other military equipment to Japan may not be realised. Japan is becoming increasingly self-sufficient in many fields.

For example, the Government is under strong pressure from industrialists to replace the defence agency's ageing Phantom jets with a new Japanese fighter called the FSX rather than buy US or West European fighters.

● Japan has again postponed a decision on whether or not to participate in President Reagan's strategic defence initiative (SDI). Some cabinet members still have reservations on participating because of uncertainty about whether or not Japan would have access to any of the results of the research.

Arms control call, Page 2

Matsushita to build electronic typewriter plant in South Wales

BY DAVID THOMAS

MATSUSHITA Electric is to build an electronic typewriter and printer plant in South Wales, its first office equipment plant outside Japan.

The plant, to be built in Newport, Gwent, will at first employ 100 people, increasing to 300 by 1990. Production will begin in March 1987 and the target output for that year is 20,000 typewriters and 50,000 printers.

South Wales beat West Germany as the final choice for the site. Matsushita also looked at France, Spain, Italy and 13 other sites in the UK.

Mr Shunji Matsuoka, the project's managing director, said a major factor in the company's decision was the success of its Panasonic colour television plant, established in Cardiff in 1974.

The Welsh Office is giving a grant, understood to be between £1.4m and £1.8m, towards the £6m cost of the factory being built for Matsushita. The Japanese company will use at first a plant leased from the Welsh Development Agency.

The company expects at first to import about 50 per cent of the content of the printers and typewriters, with the UK content building up over time. The Panasonic plant obtains about 80 per cent of its components from the UK.

Matsushita plans to seek an industrial relations framework similar to that at Panasonic, where it has a single union agreement.

The company said that in the longer term it might produce in the UK other office automation products which it sells in Europe. These include facsimile machines, plain paper copiers and telephone answering machines.

Mr Nicholas Edwards, Welsh Secretary, said: "They chose Wales because we have a versatile and willing workforce and an excellent range of financial and other assistance."

The UK has little electronic typewriter manufacturing capacity. The decision by Brother Industries of Japan to set up a typewriter plant in North Wales last year was hailed as the return of typewriter manufacturing to the UK.

Last year, the European Commission imposed import duties of 21 to 23 per cent on Japanese electronic typewriters, but Matsushita yesterday denied that its decision to manufacture in Britain was motivated by these duties.

Matsushita said it hoped to export to the Continent about half the £40m of office equipment it will produce each year by 1990.

Shares 'owned by 28% of executives'

ABOUT 28 per cent of British executives and women have shares or options in the company in which they work, 16 per cent have shares in British Telecom, and 24 per cent own other ordinary shares, according to the 1986 Businessman Survey.

Continued from Page 1

Shares

positions at the end of the Stock Exchange's two week accounting period.

A string of worse-than-expected company results sapped the confidence of the market earlier in the week, with Guest, Keen and Nettlefolds, the West Midlands engineering concern, sparking the sharpest decline on Wednesday.

Shares in GKN, a constituent of the 30-share FT ordinary index, dropped 20 per cent during the week following its warning of a bleak outlook for the second half of the year. Other leading shares were unable to regain much of the ground they had lost earlier in the week.

Although many stockbrokers view GKN as an isolated case and see no reason to revise their profits forecasts for other industrial sectors, more attention has been paid to those brokers who have lowered their projections.

A £144m rights issue by Rowntree Mackintosh followed a £377.5m placing of shares on behalf of Boots increased demands on the funds of insurance companies and pension funds. With share prices falling on all sides, institutions were more inclined to hold on to what cash they had left.

Some fled the equity market and took refuge in index-linked gilts, government securities on which capital value and interest payments rise in line with inflation.

Many stockbrokers have tried in vain to persuade their clients to regard index-linked gilts as an alternative to equities, but most investors have tended to regard them with conventional gilts, the capital value of which remains constant. Last week, however, brokers reported switching out of shares and into the index-linked sector.

The strong rise in index-linked prices on Thursday could not be sustained yesterday, however. When the Government announced that it was issuing £300m of new stocks in the sector prices eased.

Sterling remained weak after failing to sustain the improvement that followed the agreement earlier in the week by the Organisation of Petroleum Exporting Countries on a two-month limit on oil output. It fell by a further ½ pfennig yesterday to close in London at DM 3.05, a loss of 1½ pfennigs on the week. Against a slightly stronger dollar it lost 0.3 cents to 1.4735.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			FALLS		
Anglo Amer Gold	£35¼	+ 4¼	Brit Aerospace	483	− 8
Brunning	180	+ 12	D.J. Sec Alarms	100	− 10
Conder	120	+ 25	Farnell Elec	148	− 7
Cons Gold Fields	454	+ 31	Grand Met	370	− 5
Good Relations	93	+ 5	Kode Intl	235	− 13
Imp Cont Gas	435	+ 18	Ultramar	148	− 4
Jaguar	523	+ 18			
Marlborough Prop	77	+ 5			
Rustenburg Plat	615	+ 25			
Vaal Reefs	£36½	+ 3½			

WORLDWIDE WEATHER

UK today: Mostly dry with sunny periods. Possibly wet in NW and SW.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	27	81	Corfu	S	31	88	Lusmbg	F	18	64	Peking	C	25	77
Algiers	S	32	90	Dallas†	F	26	79	Madeira	S	24	75	Perth	R	14	57
Amsdm	F	18	64	Dublin	C	16	61	Madrid	S	30	86	Prague	F	24	75
Athens	S	30	86	Dbrvnk	S	29	84	Majorca	S	31	88	Rykjvk	R	12	54
Bahrain	S	35	95	Ednbgh	R	14	57	Malaga	S	25	77	Rhodes	S	27	81
Barclna.	S	28	82	Faro	S	25	77	Malta	S	30	86	Rio J'o		—	—
Beirut	F	29	84	Florence	S	31	88	M'chstr	C	14	57	Rome	S	29	84
Belfast	C	13	55	Frankft	F	22	72	Melbne	S	14	57	Salzbrg	C	23	73
Belgrd	S	29	84	Geneva	C	25	77	Mex C		—	—	S'cisco†	C	12	54
Berlin	F	22	72	Gibrltr	S	27	81	Miami†	S	28	82	Singapr	F	31	88
Biarritz	C	21	70	Gl'sg'w	S	17	63	Milan	F	23	73	S'tiago		—	—
Bmghm	C	16	61	G'rnsey	S	15	59	Montrl	C	19	66	Stckhm	C	16	61
Blackpl	C	15	59	Helsinki	F	19	66	Moscow	S	24	75	Strasbg	F	25	77
Bombay	R	29	79	H Kong	S	32	90	Munich	C	19	66	Sydney	C	13	55
Bordx	F	21	70	Innsbrk	F	22	72	Nairobi		—	—	Tangier	F	25	77
Boulgn		—	—	Invrnss	C	13	55	Naples	S	33	91	Tel Aviv		—	—
Bristol	C	17	63	I.o.Man	C	14	57	Nassau		—	—	Tenerife	S	27	81
Brussels	F	19	66	Istanbul	S	30	86	Nwcstl	C	16	61	Tokyo	C	28	82
Budpst	F	31	88	Jersey	C	17	63	N Delhi	F	39	93	T'r'nto†	F	19	66
Cairo	S	33	91	Jo'burg	S	21	70	N York†	S	24	75	Tunis	S	31	88
Cardiff	F	17	63	L Plms	S	25	77	Nice	F	29	84	Valencia	F	30	86
Cape T	C	17	63	Lisbon	S	25	77	Nicosia	S	29	84	Venice	F	27	81
Chicg†	C	19	66	Locarno	R	22	72	Oporto	S	20	68	Vienna	S	29	84
Cologne	F	20	68	London	C	19	66	Oslo	C	17	63	Warsaw	T	24	75
Cpnhgn	S	21	70	L Ang†	C	18	64	Paris	C	19	66	Zurich	S	20	68

C—Cloudy, F—Fair, Fg—Fog, H—Hail, R—Rain, S—Sunny, Sl—Sleet, Sn—Snow, T—Thunder.
† Noon GMT temperatures.

Continued from Page 1

Mugabe

UK will retaliate against Air Zimbabwe flights to London.

There is a once-weekly British Airways flight to the South African coastal town of Durban, which stops in Harare en route.

Other casualties of the proposed measures include tourism, as 40 per cent of Zimbabwe's tourists come from South Africa; and the mining industry, which is reliant on imports of South African coke and explosives.

The cost of steel to the construction and metals sector is thought likely to double if Zimbabwe imposes a ban on imports of South African steel.

Zimbabwean industrial exporters are likely to lose their most lucrative market, absorbing some 40 per cent of exports. Closure of the trade missions in Harare and Johannesburg would make travel between the two countries extremely difficult, since these offices issue visas.

But the main threat is South African action against transport. Pretoria is already flexing its muscles with the border clampdown and the trans-South African transport lines are seen as the region's Achilles heel.

Estimates in Harare suggest that were South Africa to sever links altogether Zimbabwe would have to operate with less than 40 per cent of present imports and exports.

It is evident from Mr Mugabe's remarks that the country's remaining 100,000 whites could suffer significantly, since they would be the most inconvenienced by a cut in air links, while their relatives in South Africa "ex-Zimbabweans" would suffer from a ban on pensions.

Many whites send children to school and university in South Africa, and this too could become a sanctions casualty if the crisis expands.

Mr Mugabe's news conference was reminiscent of events 20 years ago. He said: "If we have to eat sadza [maize meal] without stew, we will do it."

This is an echo of Ian Smith's Agriculture Minister, Lord Angus Graham, who said in 1966 that Rhodesians would rather eat sadza than give in to economic sanctions.

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WEEKEND FT

Saturday August 9 1986

• MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV •

The selling of Edinburgh

Antony Thorncroft examines the problems besetting the festival — still the world's leading all-round showplace for the arts

FRANK DUNLOP, director of the Edinburgh Festival, was a sick man. He lay on a couch in the festival office close to the Royal Mile, coughing and croaking and trying to shake off a virus he had picked up in Moscow the previous week. He had been talking there to top cultural officials about the possibility of leading Russian singers, musicians and actors coming to the festival of 1987, giving it a pronounced Russian theme. The Russians were optimistic. They thought highly of the festival. They would come over this August to look at the facilities.

For Dunlop this was a typical minor victory. He spends three months of the year travelling, trying to persuade foreign governments to finance visits by their best artists and troupes to Edinburgh: the festival usually picks up the tabs while they are in town. With the global contacts he built up in 30 years as a director of companies, plays and operas, starting at the National Theatre with Lord Olivier, Dunlop usually gets a sympathetic hearing. Then comes the rub.

The idea of the Edinburgh Festival, now approaching its 40th year, excites enthusiasm throughout the international arts world. The reality on the ground is a much trickier proposition. The director of the Edinburgh Festival is better received abroad than in his home town. Dunlop has apprehensions about what the Russian delegation will find in the city in terms of appropriate venues. He already knows that his plans for the Kirov Opera company to appear next summer have had to be abandoned because there is no suitable performing space for it. The long discussed dream of an opera house in Edinburgh has been shelved because the current Labour-controlled city council sees the £15m investment needed as a very low priority.

A chase after money

For Dunlop, as for his predecessors, his biggest battle has been selling the festival to Edinburgh, to its politicians and to its people. "My main worry is the insecurity in planning ahead. Am I going to be patted or kicked?" says Dunlop. He took on the job three years ago from John Drummond (now head of music at Radio 3) who resigned because of similar pressures, saying "I spend most of my time chasing after money rather than organising an arts festival." The thought is now increasingly voiced—does Edinburgh deserve its arts festival?

When he took over in October 1983 Dunlop inherited three seemingly insoluble problems—a lack of cash; conservatism among the audience; and inadequate venues. Within weeks, a fourth, potentially more dire, appeared. Local elections replaced the Conservative administration which had been in power when Dunlop was appointed with a left wing Labour council which regarded the festival as élitist and out of touch with the real needs of the people of Edinburgh. Dunlop was told to change the emphasis of his programming and get the festival to the people in the outlying districts, or face a cut in his grant, a grant which represented around a quarter of the festival's total income.

It says much for Dunlop's diplomacy that in the past two years he has managed to make progress in most of the problem areas. For the past two festivals there has been a small cash surplus, and the programme has changed dramatically, very much in line with the council's thinking, so that the chair of finance, Paolo Vestri, can say "We are reasonably pleased with developments." But in the basic, but vital, area of venues there has been little movement. The council has refurbished the King's Theatre; spent £1m on the Usher Hall; and has plans for the Assembly Rooms, but Edinburgh still lacks a suitable setting for the top international opera and ballet companies.

So no Kirov and no Bolshoi: and no Covent Garden; the opera and ballet companies have not been to Edinburgh for a generation. Sadler's Wells Royal Ballet pulled out last year because no venue was adequate. Glyndebourne soon lost its enthusiasm for a place which it once visited regularly, and more and more leading overseas opera and ballet companies regretfully decline the opportunity to show off at what is still the premier arts festival in the world. The bricks and mortar have been Dunlop's biggest failure. "The opera house is where politics affects the festival." He is directing his energies now at a more modest re-development—an extended back stage for the Playhouse Theatre, at a cost of £1.5m.

On his past record Dunlop should achieve this in the 18 months left before his contract expires: neither Dunlop, nor the Festival Council, which appoints the director, has thought yet about renewal. His great achievement has been cooling down the emotions which, especially locally, are roused by the festival. He has reached a *modus vivendi* with the city council at the cost of some modest compromises, yet built up good relationships with business sponsors.

By going for themes in his festivals—last year the "Auld Alliance," between Scotland and France; this year the Enlightenment, when Edinburgh was in its international heyday—he has established a sense of educational purpose and squared the press. Politically he looks like a man of the left: in his career he has shown himself professionally aware of the real world. As he carefully says, half echoing the city council: "I don't believe in élitism in the arts—unless élitism means the best." By lowering his profile, continuing the festival tradition of living out of harm's way in London for much of the year, by reducing the political temperature, Dunlop has removed the festival from the firing line.

Dunlop has been at his shrewdest in his dealings with the city council. The initial Labour leaders (there has recently been a swing towards the inside left) were very anti-festival, with some reason. It was run by a small exclusive group, less than 200 strong, of self-appointed cultural worthies, the epitome of the old traditions, but was financed by around half the entire arts budget of the city. The council wanted changes on the programming side, and in the organisation, and it has got both.

There is now a populist side to the festival which is seen in events held not in city centre venues but in community arts centres and in council estate halls. To suit the "culturally deprived" there has been an emphasis on the circus, and this year Circus Senso will be appearing in a specially constructed dome (cost £80,000) in a park away towards Leith. There will also be folk singers; a theatre group from Johannesburg; London buskers, and so on. The council has also insisted, with the threat of loss of grant, that the festival freezes its prices for the third successive year, and offers generous concessions to the old and unemployed.

In all, £80,000 from a city contribution to the festival of £633,000 this year was linked to Dunlop taking account of council priorities. Some of the money went towards paying for a community arts co-ordinator. Last year, when the first attempt was made to broaden out the programme, there were crossed lines between local arts workers and the council.

The city council's second demand, that the Festival Council should democratise itself, is perhaps more sinister. In future, anyone paying £10 to join the Festival Society can vote in elections for the all-important Festival Council, which also includes city council nominees and can make its own appointments from the local arts world, the Scottish Arts Council, etcetera. In theory the Festival Council is now opened up to a wider range of interested parties; in practice it could be controlled through a political coup.

But will it interfere more in the programming of the festival? In the past its power has been limited; it chooses the director and lets him get on with it.

At the moment this is a small cloud on the horizon. In the shorter-term, Dunlop's other great achievement, along with sweetening the city council, has been to improve the finances (to some extent the two go hand in hand). Apart from ratepayers' money, the festival also gets cash from taxpayers—through the Scottish Arts Council, which has given £464,410 this year. It

Regret over disloyalty

threatened two years ago to freeze its aid but has been won round, this time at least.

On top of this £1m-plus in subsidy, the Edinburgh Festival attracts over £250,000 a year from sponsors. This year it has proved difficult hitting its target with some of its traditional backers preferring to put their money into the Commonwealth Games—and bitterly regretting their disloyalty. But House of Fraser remains a good friend in cash and kind (it is giving 180 black sweaters for costumes for orchestra and

chorus in the main event, a new production of Weber's *Oberon*); the Royal Bank of Canada is sponsoring one performance of the Toronto Symphony Orchestra and Tate and Lyle another; the Pru is backing the London Festival Ballet, and so on.

Dunlop's other chief success has been maintaining the international reputation of the festival. These days, when mass travel is expensive but when artists are always on tour, the need for a festival is not obvious. During the year the leading singers, musicians and orchestras will be appearing in Edinburgh. In addition, specialist festivals, like Salzburg for music, Avignon for theatre, can match Edinburgh in its main parts while even domestic festivals like Brighton mount a closer challenge. The cost of getting there, and the inadequacy of the venues, mean that the really big companies rarely visit Edinburgh now.

Many of the companies appearing this year will be passing through on major tours—like the Toronto Symphony; others come from countries that use the arts to acquire political prestige, like the Stary Theatre of Krakow in Poland and the Chinese Magical Circus.

Yet Edinburgh continues, the first, and the last, of the comprehensive arts festivals. It is dependent on the whims of foreign governments, who these days cannot afford to subsidise overseas arts visits so freely. Dunlop has to go in for friendly arm twisting, exploiting his bulging contacts book to the full.

Considering the choice between what is realistically on offer and what a director would really like to present, the 1986 festival looks respectable—a World Theatre Season to silence the critics of British provincialism; 14 performances of opera, including the very ambitious production of *Oberon*—significantly mounted by the festival and directed by Dunlop, to make good the absence of a major foreign opera production; and seminars linked to the artistic works which stem from the Enlightenment, the period in the late 18th century when Edinburgh was at the intellectual helm. This last is very much in line with Dunlop's view of his job. "My artistic policy is that the festival should be a celebration of man's creativity, and the more that brings in science the better. It is really to do with education through entertainment."

There are also concerts and dance performances, song recitals and exhibitions.

And the community events to please the locals. And the Fringe to maintain Edinburgh's reputation for launching new talent. The fringe has no official link with the International Festival. Its director, Mhairi Mackenzie Robinson, has only spoken to Frank Dunlop once this year. But both are starting to acknowledge a mutual need. They now co-operate on joint marketing. Many festival performers started on the fringe, including Dunlop himself when an Oxford student. Contrary to rumour *Beyond the Fringe* was not a festival event but Tom Stoppard's *Rosencrantz and Guildenstern* was fringe, and the *Not The Nine O'Clock News* team started there, as did any number of others.

The fringe is smaller this year, because of the demise of the GLC and educational cuts, which have prevented some student groups making the journey. But there will still be around 7,000 performers, representing nearly 500 groups, and putting on over 900 shows. They will be watched by more than 500,000 people, over twice the audience for the festival, generating £1m at the box office, which is roughly what the festival manages.

Future not in doubt

The festival is Edinburgh's international calling card, and there are signs that the city is now less grudging about it. Last year attendances were up, at 78 per cent of capacity, and half the audience came from the city and the region. Bookings are higher this year and above target. *Oberon* is sold out already. Dunlop is worried that a third year of frozen seat prices will cause financial problems but the box office should produce around 50 per cent of the £2.5m turnover. No one really knows how much business the festival brings to Edinburgh. Dunlop quotes the highest estimate of £80m, pointing out that British Rail alone reckons it gets £4m in extra revenue from the festival.

Of course, many people would come to Edinburgh even if the festival ceased to exist. But the city would lose its pleasant image across the world. For a city that has rested on its laurels for almost two centuries the Edinburgh Festival was the opportunity for a fresh burst of energy. To date it has not capitalised on it. But now no one doubts the future of the festival.

Dunlop gets up from his couch, a tubby, bearded man, not kempt and now with little voice left. He has certainly been re-educated—in the need to be diplomatic but firm with a council which is determined not to slacken its grip, exercised each year, over the festival's finances; in the need to call in favours all over the world to keep what could easily be an artistic dodo, an international festival, alive in an era of instant communication; in the need to run a business on a shoe string: the festival still owns no property and depends on the loyalty of friends to accommodate 2,000 artists, often as far away as Berwick or Glasgow; in the need to be cheerful in the face of local critics who penny pinch and whine.

But then he is used to Edinburgh's criticism. His first play here, with the Oxford Theatre Group in the mid-1950s, was criticised by Tom Driberg who complained that his programme was covered with jam, unavoidable in cramped fringe conditions. Too much of the current criticism of the Edinburgh Festival is equally petty.

The Long View

Danger when bears look for honey

After a heavy two-day fall in the 30-share index, it would be easy to believe the City was near panic this week. But, says Anthony Harris, it would also be quite wrong.

WEDNESDAY was a dull day for newspapermen, and news editors in more than one London office heaved a sigh of relief when their City editors reported a 32-point fall in our hallowed 30-share index. A few calls to brokers, who said the kind of thing you would expect brokers to say after a day like that, and we had big headlines about the sickness of the economy. Since the performance on Thursday was pretty poor too, extending the two-day fall to over 50 points, it is easy to believe that the City is somewhere near panic. Quite wrong, though.

First, let's set the record straight about Wednesday. The fact that we had a record points loss is neither here nor there; the percentages are what matter, and the fall in the index was almost exactly 2¼ per cent. That is still a nasty fall, if it is a description of what happened to share prices generally; but it isn't. If we look at the all-share index, the one professional fund managers like to follow, the fall was 1.2 per cent—the sort of movement that would hardly earn a headline on a front page.

What of it? You may well feel that since the bad news on Wednesday came from Guest Keen, which is one of the 30 in our index, it is only natural that this index fell more sharply than the broader one; and so far as Wednesday is concerned, that is probably most of the story. You could simply conclude that stockbrokers' analysts cannot be all that they are cracked up to be (and very generously paid to be) if they were taken so much aback by the fortunes of one of our major companies, and that would be a very useful moral to draw.

Your broker is no doubt a fine old-fashioned exception (as mine is), but as a general principle, advice from market-makers should be read with a critical eye, not a credulous one. You don't take tips from bookmakers, do you?

That will do as a comment on Wednesday, but if we look back over the whole summer bear market, there is something else to explain. Over this period, the 30-share index has fallen by 14½ per cent; but the all-share has fallen by just over 8 per cent. This cannot be put down to individual bad luck or bad management, nor even to the fact that some sectors are bound to be under-represented in a narrow index. After all, the broader FTSE 100-share index has also sharply underperformed the market as a whole. What all this suggests to a suspicious mind is that professional bears are at work.

You can detect professional speculation in a number of ways. The easiest is psychology. A few months ago this column was warning you that a market which rises on every bit of good news, and ignores the bad news, is in a speculative bull phase—a market for professionals and full-time market watchers only. A bear market shows just the same psychology in reverse. Good news (and this week the Opec production cuts were certainly good news for this country) is brushed aside. Already discounted, you are told. Bad news, on the other hand, is an open invitation to knock prices down.

But you can track the professional bears more accurately by looking for their spoor. A bear operates by selling short: and whereas this used to be done in the stock market itself, the modern professional prefers the traded options market, where he can move quicker and with less expense, and save all the boring clerical work of handling actual securities.

A check of 34 UK shares quoted in the FT traded options table shows that all but four have fallen further than the broad indices. The average fall, at 15½ per cent, is actually sharper than the fall in the narrow indices, let alone the broad one. The professionals on the short side of these markets have been finding a nice lot of honey.

This is not intended to suggest that professional speculation makes markets more unstable than they would otherwise be. The more absurd movement, such as the V-shaped depression of the UK market in 1974-75 (when the FT index doubled in six weeks during the recovery), can be put down to so-called long-term investors in the insurance companies and pension funds. Inexperienced Japanese investors helped to push the dollar to its idiot peaks. The professionals make money out of these moods and in the end help to reverse them. They tend to make price movements quicker, but may limit the swings.

Finally, remember that the professionals have good reason to welcome a bear market at the moment, apart from the fact that some of them make money out of it. In a matter of weeks now they will have to open up shop as market-makers rather than as brokers; and it has been a nightmare haunting them all year that they would spend their first period in a bear market, with little trade, and losses on any stock they felt they have to hold to make a market. If the bad news can be got out of the way now, so much the better.

And what should the small investor do? Probably nothing. It would take another big fall just to cover the commissions and spreads on an effort to join in the professional game. With the index yielding over 4 per cent, you can afford to wait for better times.

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MARKETS

Equities end week on soggy note

IF IT could go wrong it went wrong. By mid-week the equity market was plunging with the FT-30 Share Index recording its biggest one day fall of 32.1 points on Wednesday and the All-Share losing 1.2 per cent. Non-financial newspapers relegated politics and South Africa and led their front pages with stories of hammered share prices and collapsing markets. Billions of pounds were wiped off shares.

There was little relief to be found on Thursday and by lunchtime the FT-SE index, which is flashed up on the Exchange's Topic news-screens throughout the day, had shed almost as much weight as it had throughout the whole previous trading session. Prices started to make up some of the lost ground throughout the afternoon as dealers talked about a "bounce" but after a short-lived rally yesterday morning the market ended the week on a definitely soggy note.

No single factor could be blamed for the headline-grabbing setback but investors were fair deluged with a coincidental string of bearish factors which were simply too great to resist. And leading the list came a sudden fear that the economy is not in quite as brilliant shape as some Treasury mandarins would have us think.

Whereas some economic forecasters in the City have been vaguely talking about a slowdown for a while it took the words of someone at the sharp end, the chairman of engineering group Guest Keen and Nettlefolds to be exact, to ram home the message and get the market really rattled.

Although GKN announced a £4m rise in interim profits to £74.5m on Wednesday it caught the City completely unawares with a statement that adverse trends had emerged in the second quarter which would make it difficult to report profits higher. GKN's shares went into free fall dragging the market with them.

And it was not just GKN that had cautious words about the economic outlook. Over in the US the Office of Management and Budget sharply cut its forecast for 1986 economic growth from 4 to 3.2 per cent. Some say even that is optimistic.

The market was also troubled by second thoughts about the Opec agreement on Tuesday to cut production over the next two months from 20m to 16.8m barrels a day. Before that announcement increasing pressure on sterling, pushing its trade weighted figure down towards the 70 mark, bad started people fearing that far from an interest rate cut in the autumn the Government might be forced into a rate rise to protect the pound.

So the initial reaction to Opec's concord was to underpin sterling and bump up the price of Brent crude to over $15 — a 50 per cent increase over the previous day. This looked good news for interest rates and share prices actually rose on Tuesday.

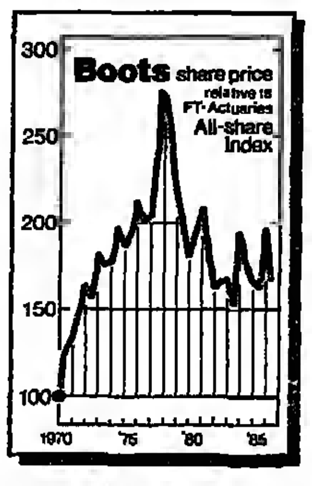
Yet a market that soared like a rocket early in the year in the belief that lower oil prices would stimulate the economy and corporate profits could hardly run upwards very far on

London

a recovery in the price before pausing to consider its own logic.

What the equity market would probably like is a stable price of around $15 to $18 — the key feature is stability. So when oil traders started mumbling about Opec's inability to make its deal stick and that the price would collapse again, equity dealers just ducked their heads.

And last, but by no means least, the institutions were presented this week with London's biggest vendor placing from one of their least popular companies. Boots, the retail chemist and pharmaceutical manufacturer, is financing an expensive-looking £400m US acquisition with a placing of 184m shares, an increase of a quarter in its capital base. Coming the day after a £144.4m rights issue from Rowntree Mackintosh, also to finance a US purchase, concern about institutional liquidity in the run-up to TSB and British Gas played its part in the market's slide.



For the first time in a decade it looks as if the equity sector could end August at a lower level than it started, assuming that nothing totally unforeseen happens to create the share equivalent of the Californian gold rush. But this is not the beginning of a long running bear phase.

The equity market rarely misses an 8 to 10 per cent correction sometime in the summer — usually in July ahead of the August recovery. This time the correction has been more prolonged but certainly no more vicious. The all-Share index is only a tenth below the April high point, so it has not slipped beyond the normal seasonal correction yet.

There is, however, no obvious trigger point in the coming weeks to revive its flagging fortunes. If the All-Share can hold tight around the 750 area there could yet be a good bull run in the last quarter of the year but the optimists who had argued for a target of 900 by Christmas will need to put their stockings empty on that particular score.

The fate of GKN washed straight through to TI despite the latter's 44 per cent increase in interim profits to £18.1m. TI's price was being hammered before analysts could even read the profit numbers coming up on their screens. It was a bit undeserved.

Perhaps GKN's warning does carry an important message for the stock market, and the engineering sector in particular, yet everybody was reasonably aware of the weaknesses of the forging sector and the lack of demand from commercial vehicle builders and agricultural equipment manufacturers.

Indeed although GKN's interim figures were disappointing they were not catastrophic when allowing for currency changes. Currency movements played havoc with the US distribution business which buys Japanese parts.

What really upset the market so much was that GKN had been making positive noises throughout the year, even at an institutional lunch not so many weeks ago, although by then it had got to the point when it could not reveal the trends for fear of "insider" claims against those present.

And perhaps GKN's decision to renegotiate long term contracts with Ford and Chrysler, which meant sacrificing short term profits to secure long production runs and stable profits — which is one of the problems for this second half — is not such a disaster over the long term.

Anyway forecasts for this year have now been chopped from around £150m to £130m and the shares are well and truly out of favour.

The wholesale cut in other engineering share prices, however does look like an overreaction. Demand for aerospace products, process engineering and non-ferrous metals is still reasonable to very good and although a few million pounds has been shaved from forecasts for the likes of TI and Glynwed there remain some "buys" in the sector such as Johnson Matthey, IMI, Vickers and Laird.

Terry Garrett

MARKET HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1986 High	1986 Low	
FT Ordinary Index	1,217.4	−56.0	1,425.9	1,094.3	Concern over corporate profits
AE	203	−21	230	139	Turner and Newall bid extended
Amalgamated Finan. Invs.	34	+5	36	16	Australian group acquire stake
Barclays	455	−40	589	433	Interim results disappoint
Blue Circle	548	−27	723	533	SA and cheap cement import worries
Boots	214xr	−29	256	209	Fund-raising via 184m share placing
Britoil	118	+13	208	101	Opec accord on production cutbacks
Cowie (T.)	208	+15	216	79	Better-than-expected interim figures
GKN	275	−70	385	259	Interim figures and warning on outlook
Grand Central Invs.	66	+11	68	24	Investment recommendation
Hawker Siddeley	487	−34	620	433	Engin'rg issues weaken on GKN news
Ibstock Johnsen	186	+18	193	127	Revived bid speculation
Ontwich Investment Trust	195	+35	200	145	Unitisation hopes
Ransom (Wm.)	420	+65	430	285	Good annual results
Rowntree Mackintosh	372xr	−38	524	370	£144m rights issue for US acquisition
STC	144	−22	168	98	Half-yearly figures disappoint
Shell Transport	828	+28	845	660	Opec accord on production cutbacks
Squirrel Horn	47	+10	48	24	Revived bid hopes
TI	466	−40	584	383	Disappointing first-half results
United Real Property	945	+60	960	525	Agreed bid from Mountleigh

Reforms may hit prospects

THE Stock Exchange Council opted last week to relax the restrictions on the issue of new shares. The changes are intended to make it easier for companies to join the market and to raise capital from it . . . but the council might also intentionally have dealt a bitter blow to the USM.

One of the key reforms implemented by the council is to increase the maximum amount of money that may be raised through a placing from the present level of £3m for both markets to £15m for the main market and £5m for the USM.

Ostensibly, this reform augurs well for the USM. Placings are generally perceived as cheaper than offers for sale because the company does not incur the additional costs of underwriting and advertising. They are also regarded as less hazardous, in that placing the shares with institutions obviates the risk of bad publicity and the embarrassment of under-subscription.

Given that the cost and risk of an offer for sale may deter some would-be USM issues from going public, and that the £3m ceiling effectively prohibits any company with a market capitalisation of more than £30m from opting for a USM placing, the new ceiling of £5m might encourage more companies to join the market.

However, the reform could militate against the interests of the USM in that many of the companies which have, under the existing rules, plumped for a USM offer for sale because they were too large to qualify for a placing and because an offer for sale is cheaper on the USM than the main market, may be tempted to join the market through a cheaper, less risky placing.

The USM has seen relatively few offers for sale. Of the 482 companies which have joined the market since its inception, only 51 have done so through offers for sale. In recent months there has been a perceptible trend for small or medium sized companies — those with a market capitalisation of under £20m — to join the main market although they would have seemed better suited to the USM offer for sale. As their rationale for this, most have cited concern that the USM will become too liquid a market after the Big Bang.

Some companies have no option but to join the USM through an offer for sale. The breakfast television station, TV-am, which joined last month, had a three-year trading record instead of the five needed for the main market, while Wickes, the building materials supplier which went public in January, opted to release only 15 per cent of its equity.

USM

UNLISTED SECURITIES MARKET

However, many of the companies joining the USM could qualify for a full listing. More than half the USM debutantes sport five-year records and the average proportion of equity issued is 26 per cent. Many of these companies may opt for main market placings, thereby reducing the flow of offers for sale onto the USM.

Offers for sale are crucial to the USM in that they generate publicity for the market, attracting the attention of investors and analysts. It is simple to sketch a scenario in which the USM becomes less visible, investors and analysts lose interest, and the old problem of lack of liquidity intensifies.

The scenario seems even gloomier given that the Stock Exchange Council has also relaxed the rules on advertising new issues, thereby reducing the cost of floating on the main market for companies raising less than £15m—exactly the sort of companies which may have considered an offer for sale on the USM.

Under the existing rules, a company coming to the main market through a placing had to advertise its prospectus in one national newspaper and place a formal notice, or "box ad," in another. This added £50,000 or so to the cost of the placing. Under the new rules, in certain circumstances companies need only place a formal notice.

Similarly, the requirements for a main market offer for sale have been relaxed from two prospectus advertisements to one advertisement and a formal notice for companies seeking to raise between £2m and £15m.

Thus, the difference in cost between a flotation on the main market and the USM has virtually been eroded. Add to this the possibility that, after the Big Bang, the USM will become an increasingly illiquid market, and the arguments for a medium-sized company to opt for a full listing rather than the USM seem very persuasive.

However, the USM "emigrés" may be fleeing from one problem only to find another. After deregulation, far fewer securities houses will be prepared to make markets, not just in USM shares but in all small company shares. Lack of liquidity will be a problem for any small company, whether quoted on the main market or the USM. Nonetheless, the outlook for a USM with fewer large companies and fewer offers for sale seems bleak indeed.

Alice Rawsthorn

European buoyancy aids City

UNILEVER made a strong start to 1986 and the good results of the first quarter seem set to carry through into a strong performance for the second one, covering the three months to June.

To some extent the figures will reflect a rebound from last year's second quarter, when Unilever's US subsidiary, Lever Brothers, was fighting off a fierce attack on its Wisk liquid detergent from Procter & Gamble. The consequent damage to margins took US profits down by 80 per cent.

Elsewhere, the general buoyancy of the European economies will have been an underlying factor behind some useful gains. Rationalisation benefits will also be coming through and low raw materials prices will have helped the edible oils businesses, but plantations will probably be down.

Overall, the range of City forecasts is from £250m to £290m against an adjusted £237m last time. This, however, assumes that a £15m to £20m exceptional charge has been taken for the reorganisation of the UK meat division. If the figure does not appear above the line, the pre-tax figure should be so much the higher.

Sir John Clark, PLESSEY's chairman, is understandably in a celebratory mood following the Monopolies and Mergers Commission's blocking of GEC's £1.2bn bid for the group made last December.

However, on Thursday when the first quarter results are due to be announced the City's attention will almost certainly have drifted back to considering the group's future outside of Lord Weinstock's embrace. Pre-tax profits for the three months to June are expected to reach £43m (£39.2m) with half the increase coming from financial items rather than trading.

The most worrying trend has been orders. In the three months to the end of March, Plessey's order backlog slipped £100m to £1.3bn — over the year the order book fell one sixth.

System X remains key to the telecommunications division, which produces about half of group profits, and it is not long before the competitive tendering with a more aggressive GEC is due to start — which could hit margins. A solution to the problem of System X's divided home appears necessary.

Results due next week

These are nervous days for ULTRAMAR's management. The oil market does not know whether or not to believe Opec and every time the group's shares fall there is Mr Ron Brierley adding, salami style, one slice at a time to his 11.4 per cent holding.

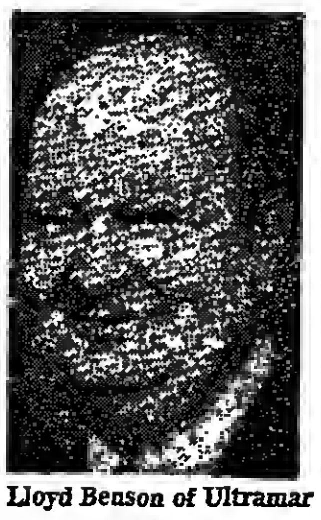
On Wednesday, the oil independent could be producing one of its worst ever sets of quarterly figures — net income down to £1m against £17m in the first quarter and £19.9m in the same period of 1985. This will bring the half year's net up to £18m against £61.3m midway through 1985.

Not only were oil prices much lower in the second quarter but the Canadian downstream activities did poorly and there may be inventory write-offs with these figures and currency induced book losses on the peseta loans are looking likely to make the shipping expedition seem less well prepared.

With forecasts for the year still only just about enough to maintain the dividend, the interim payout will be watched with interest.

The results cycle moves on from banks to insurance next week. COMMERCIAL UNION's interim figures, due on Wednesday, are expected to show pretax profits of £40m, compared with a loss of £12.1m in the first six months of 1985.

It seems likely that the investment income and the underwriting loss will roughly cancel each other out, leaving the bulk of the profit to be provided by life business. Hardening premium rates will be of particular benefit in the US, where all incurred a hefty £231m underwriting loss last year. With rates up by an estimated 7 per cent, that loss should be halved this year.



Lloyd Benson of Ultramar

In the UK commercial motor results are likely to show continued improvement, thanks to a lower claims ratio and to the better rates achieved last year.

The fall in Commercial Union's motor claims was not matched by GENERAL ACCIDENT FIRE AND LIFE at the first quarter but that failed to prevent GA from reporting a similar upturn overall. For the half year, the company is expected to report on Wednesday pre-tax profits of £36m, compared with a £2.2m loss in the same period last year.

The reason for the turnround at Gen Acc is expected to be the surplus of investment income over underwriting losses. In both the US and the UK, commercial premiums have been much quicker to pick up than rates on personal business.

It may also reveal further steps to acquire a nationwide network of estate agencies. GA announced the purchase of three estate agents in May.

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Abbey	Thursday	—	—	2.0
Avana	Friday			
Matthew Clark and Sons	Tuesday	2.5	4.5	3.0
Andre de Bren	Monday	3.0	—	3.0
English Trust Group	Monday	—		
G. M. Firth	Monday	1.2991	2.5973	1.3
Gnome Photographic Products	Thursday	0.18	0.22	0.45
Group Investors	Thursday	—	6.5	—
Hambro Countrywide	Thursday	1.3	2.9	1.6
Howard Shuttering	Thursday	1.2	1.8	1.2
Jos Holdings	Monday	0.7	0.7	0.7
J. Saville Gordon Group	Friday	0.7	2.55	1.15
McKay Securities	Wednesday	0.7	1.25	0.8
Meat Trade Suppliers	Thursday	1.55	1.7	1.7
Louis Newmark	Thursday	1.75	3.5	1.75
Porter Chadburn	Thursday	4.5	8.5	5.0
Ransom	Tuesday	—	11.5	10.0
Stag Furniture	Tuesday	0.75	3.25	—
State Internacional	Thursday	1.46	2.82	1.61
Victor Products	Thursday	2.0	1.75	1.75
Wholesale Fittings	Friday	1.7	5.0	1.87
INTERIM DIVIDENDS				
Algemene Bank Nederland NV	Friday			
Appleyard Group	Thursday	1.5	3.5	
BBA Group	Thursday	0.84	1.10	
Biotechnology Investments	Monday			
Bullers	Thursday	0.5	1.0	
Canadian Pacific	Monday			
Capital and Counties	Tuesday	2.2	2.3	
Channel Islands and Intl. Inv. Trust	Tuesday			
Clarke, T.	Friday	0.7	1.51	
Commercial Union Assurance Co.	Wednesday	4.85	6.95	
Corah	Thursday	1.8	2.4	
Debron Investments	Monday			
EBC Group	Friday	2.12	3.6	
F and C Enterprise Trust	Monday	—	0.15	
Fleming Mercantile Inv. Trust	Friday	1.25	2.35	
Foreign and Colonial Inv. Trust	Wednesday	0.45	0.95	
General Accident Fire and Assur. Cpn.	Wednesday	3.0	14.0	
Good Relations	Thursday	2.1	2.8	
Henry Ansbacher Holdings	Thursday			
Jamesons Chocolates	Monday	3.0	3.0	
Mrs Fields	Monday			
Olives Paper Mill	Wednesday			
Philips' Lamps Holding	Thursday			
Plessey	Thursday			
Renown Incorporated	Friday			
Rock	Thursday			
Royal Insurance	Thursday	9.2	16.55	
Technical Component Industries	Wednesday			
Transport Development Group	Monday	1.7	4.5	
Trencherwood	Thursday	1.5	3.7	
Ultramar	Wednesday	4.0	8.5	
Unidare	Tuesday	2.3	7.7	
Unilever	Tuesday	11.57	27.06	
Woodhouse and Rixson	Tuesday	1.0	1.5	

* Dividends are shown net pence per share and adjusted for any intervening scrip issue. † Figures for 15 months. ‡ Figures for nine months. § First quarter figures.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 29%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	4.30	4.39	3.40	2.47	monthly	1	—	0-7
High interest cheque	7.20	7.40	5.73	4.17	quarterly	1	2,500 minimum	0
Three-month term	6.56	6.72	5.21	3.79	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	5.25	5.32	4.12	3.00	half yearly	1	1-250,000	0
High interest access	7.00	7.00	5.42	3.94	yearly	1	500 minimum	0
High interest access	7.25	7.25	5.62	4.08	yearly	1	2,000 minimum	0
High interest access	7.50	7.50	5.81	4.23	yearly	1	5,000 minimum	0
High interest access	7.75	7.75	6.00	4.37	yearly	1	10,000 minimum	0
90-day	8.00	8.16	6.32	4.60	half yearly	1	500-24,999	90
90-day	8.25	8.42	6.52	4.74	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	10.75	7.63	5.91	4.30	yearly	2	5-100,000	30
Income bonds	11.25	8.41	6.52	4.74	monthly	2	2,000-100,000	90
31st issue‡	7.85	7.85	7.85	7.85	not applicable	3	25-5,000	8
Yearly plan	8.19	8.19	8.19	8.19	not applicable	3	20-200/month	14
General extension	8.01	8.01	8.01	8.01	—	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	7.18	7.31	5.66	4.12	half yearly	1	2,500 minimum	0
Schroder Wagg	6.82	7.04	5.45	3.97	monthly	1	2,500 minimum	0
Provincial Trust	7.66	7.93	6.14	4.47	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
7.75pc Treasury 1985-88	9.22	6.95	5.69	4.52	half yearly	4	—	0
10pc Treasury 1990	9.49	6.62	5.04	3.56	half yearly	4	—	0
10.25pc Exchequer 1995	9.66	6.75	5.15	3.64	half yearly	4	—	0
3pc Treasury 1987	7.09	6.20	5.71	5.25	half yearly	4	—	0
3pc Treasury 1989	7.25	6.33	5.81	5.33	half yearly	4	—	0
Index-linked 1990¶	7.65	7.05	6.70	6.38	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated.					
AE	168½§ §§	203	152	165.87	Turner & Newall
Assoc Heat Srvcs	490*§	490	440	39.20	Cln General dn Chauffe
Barrie Invs & Fin	19	14½	16½	18.27	Bestwood
Benford Concrete	66½	85	88	14.75	Blackwood Hodge
Benf'd Concrete¶	90†§	85	83	19.96	BM Group
Bestobell	504	505	498	$1.17	Meggitt Hldgs
Biddle Hldgs	195*	190	165	7.80	Kone (UK)
Brengreen	45½	46	41½	29.63	BET
Brown (John)¶	26½	26	23	71.71	Trafalgar House
Bruntons (Mbrgh)	62*§	67	55	4.96	Carlen Eng
Burnett & Hallam	17	1†	22	6.58	Angln Utd Dev
Clarke (Clmnt)¶	240*	248	240	19.20	Boots
Com Bk of Wales¶	70*	70	76	16.80	Bank of Scotland
Eleco	132	135	140	22.04	Whitecroft
Gable House¶	209	207	203	16.18	Ladbroke
Gilbert House	15*§	—	13	4.32	Letts Green Est
Gelfer (A. J.)¶	156	152	148	9.75	Growther (J.)
Hargreaves Grp	221§ §§	260	180	79.30	Coalite Grp
HAT Group	120	130	94	91.99	BET
Ind Scot Energy	90*	90	85	20.50	Texas Gas Expln
JSD Computer	150†	145	155	8.17	Hestair
Land Investors	76*	76	73	74.05	BCPH
Man Ship Canal¶	625*§	620	660	23.49	Highams
Mayhew Foods	124	128	115††	16.84	Northern Foods
Midland Marts Gp	180*	172	143	6.70	Oyston Est Agency
Oldacre	183*	175	105	25.80	Unigate
Paul Michael	16½*§	50	16	1.21	Gleves
Plan Invest Gp	126	118	105	2.77	Stakis
Prop Hldg & Inv	132§	140	145	104.15	Greycoat Group
Rotaflex	490*	482	483	54.19	GTE Corp
Ruddle (G.)	300*	280	187	14.19	Grand Metrop
Staters Food	182	183	190	13.30	Freshbake Foods
Staffs Potteries¶	155	150	143	8.87	Coloroll
Spafax Television	156	148	133	5.93	Aspen Comms
Sunbeam Wolsey¶	118	118	120	9.59	Growther (J.)
Tern Group	50	40	43	1.17	Corton Beach
Whitwth's Food¶	47	53	63††	5.11	Booker McConnell

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on 2.30 pm prices 8/8/86. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. |||| Loan stock. ‡‡ Suspended. || Swedish kronor. a Tender offer for 25.1 per cent of capital. b Uns. Loan Note offer.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Sidney C. Banks	Apr	2,400	(1,940)	44.5	(33.8)	11.5	(10.0)
Brunning Group	Mar	1,180L	(377)	—	(9.1)	2.1	(—)
Dalepak Foods	Apr	1,030	(990)	7.6	(6.0)	—	(—)
Dwyer & Co	Mar	†24L	(10)	—	(—)	—	(—)
Forminster	Apr	1,600	(1,580)	24.1	(19.6)	6.53	(6.03)
Grosvenor Sq Prp	Mar	78L	(1,060)	—	(15.1)	6.0	(5.5)
William Jackson	Apr	2,780	(2,140)	71.5	(71.1)	—	(—)
Earnest Jones	June	6,630	(10,920)	—	(—)	40.4	(35.0)
Lawrie Group	Mar	¶1,690	(702)	—	(—)	5.3	(3.9)
Mainmet Hldgs	May	120	(27)	3.5	(1.3)	1.0	(—)
Neepsend	Mar	159L	($53)	—	(2.4)	0.1	(0.1)
Oceonics	Mar	$,730L	(3,000)	—	(—)	—	(0.75)
Peel Hldgs	Mar	5,350	(3,303)	32.9	(19.9)	3.75	(8.0)
PHH Intnl	Mar	‡2,100	(1,200)	—	(—)	—	(—)
Prop Sec Inv Tst	Mar	5,410	(4,730)	6.9	(6.2)	2.5	(2.08)
Rush & Tomkins	Mar	§3,740	(3,050)	14.6	(22.6)	10.65	(7.65)
S.E.E.T.	Apr	569	(1,090)	17.7	(26.3)	5.3	(4.9)
Sumrie Clothes	Mar	212L	(433)	—	(—)	—	(—)
Unitech	May	10,700	(15,000)	—	(—)	6.5	(5.64)
Joseph Webb	Mar	304	(230)	0.8	(0.3)	0.51	(0.51)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Barclays	June	434,000	(403,000)	9.5	(8.4)
Brit Alcan Aln	June	17,400	(22,900)	—	(—)
BOC	June	††135,200	(124,200)	—	(—)
BPP	June	208	(—)	2.24	(—)
Bruntons	June	399	(430)	—	(—)
Cannon St Inv	June	675	(155)	1.0	(—)
Cardiff Propty	Mar	12	(5)	0.6	(0.6)
Com Bk of Nr East	June	497	(417)	—	(—)
T. Cowie	June	2,350	(1,630)	1.75	(1.25)
GKN	June	74,500	(70,500)	5.0	(4.5)
Glynwed Int	June	19,300	(16,100)	3.6	(3.01)
Hickson Intnl	June	7,000	(7,790)	5.3	(5.0)
Irish Sugar	Mar	†1,680	(539)	—	(—)
Kennedy Brookes	Apr	2,150	(1,680)	0.75	(0.48)
Kleinwort Benson	June	57,700	(28,400)	8.0	(6.0)
Man Ship Canal	June	750L	(1,890)L	—	(—)
Pacer Systems	June	**652	(327)	—	(—)
Pleasurama	June	19,210	(16,030)	2.0	(1.75)
Relyon Group	June	1,200	(805)	1.8	(1.65)
Rodime	June	††853	(12,210)	—	(—)
Rotork	June	2,550	(2,100)	2.7	(2.4)
Ryl Dutch/Shell	June	§§1,260,000	(1,730,000)	—	(—)
Securicor	Mar	7,310	(6,510)	0.33	(0.3)
Smith & Nephew	June	37,000	(30,400)	0.83	(0.7)
STC	June	49,200	(23,400)	1.5	(—)
Stockley	May	4,400	(1,100)	—	(—)
TI Group	June	18,100	(12,600)	6.0	(5.0)
Yorkshire Chem	June	1,360	(648)	1.5	(—)

(Figures in parentheses are for corresponding period)

* Dividends are shown net pence, except where otherwise stated. † Irish pounds. ‡ After-tax profits. § Figures for 15 months. ¶ Figures for 18 months. ** Figures in dollars. †† Figures for nine months. §§ Net income. L Loss.

RIGHTS ISSUES

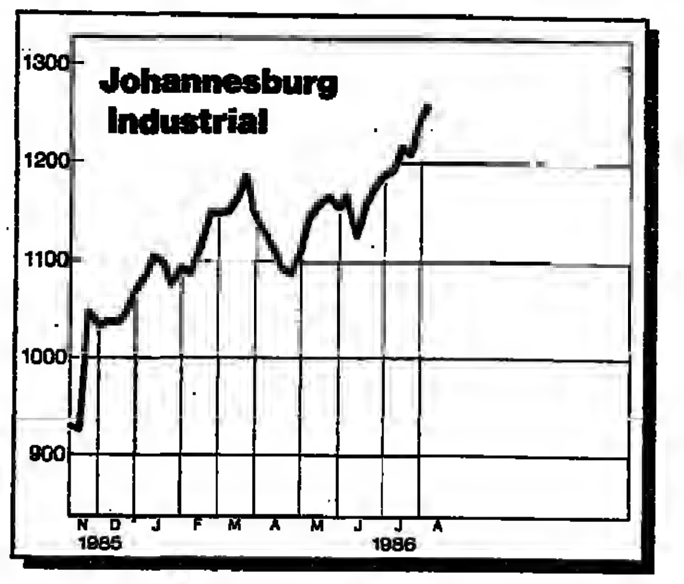
Egerton Trust—Is to raise £4.14m through a £3.3m rights issue of 7 per cent convertible cumulative redeemable preference shares of £1 for every five ordinary at par, and a placing of 1m preference.

Brown & Tawse—To raise £9.5m through a one-for-three rights issue of 7.2m shares at 138p.

SCRIP ISSUE

Kleinwort Benson Lonsdale—One for two.

Boom in a hothouse



S. Africa

ANYONE taking a casual look at the recent performance of the Johannesburg Stock Exchange (JSE) might be forgiven for believing the South African investors had taken leave of their senses. For while the approach of economic sanctions underscores South Africa's uncertain future, business on Diagonal Street has never been brisker and prices of a wide range of equities have never been higher. In a year which has seen American banks call in their loans to South Africa, a freeze on foreign debt repayments, heightened external pressure for change and declaration of two states of emergency, equity prices have risen by more than half.

The apparent paradox is neatly explained by stockbroker William Bowler: "In a hot-house everything grows, even if there's a blizzard blowing outside."

South Africans are not ignoring external or internal pressures, but their defensive investment options are strictly limited by comprehensive exchange controls. At this stage private and institutional investors are convinced that equities provide the best hedges against the threat of sanctions, persistent double digit inflation, a crumbling rand and negative real interest rates on savings.

On Thursday this week (August 7) the market paused briefly for breath. Even so turnover in South African shares totalled more than R90m, whilst the market's three principal indices reached all-time record levels. The JSE Actuaries All-Gold Index rose 10 points on the day to touch 1,476.0; the industrial index reached 1,264.0; and the overall index chalked up a 3.1 point gain to peak at 1,675.4.

Richard Jesses, of stockbroking firm Martin and Co, believes that the market owes much of its present strength to foreigners' fears for South Africa's future. Foreign investors remain net sellers of South African shares and this has pushed the effective exchange rate of the financial rand down to its current low of less than US$0.18 where it discounts the commercial rand by well over half. In its turn, the weakness of the financial rand has stimulated the rand price of South African shares in Johannesburg while their dollar prices have stagnated or fallen in New York and London.

Adverse sentiment, too, continues to affect the commercial rand which is struggling below US$0.39 even though the all-important gold price has moved above $360 an ounce.

From a South African investor's viewpoint gold is currently trading in the region of R930 an ounce while the mining industry's average production cost is about R400 an ounce. That represents an attractive hedge against a politically depressed currency even though dividend yields on gold shares average less than 6 per cent.

The other favoured currency hedges are platinum and diamond shares. De Beers, whose earnings are striding ahead with the diamond market's recovery, is currently traded at R33 against R10 a year ago. While the world platinum price has risen by half to its current $460 an ounce, Rustenburg's share price is nudging R50 against R15 this time last year.

Of course it is not all plain sailing in currency hedge investment waters. Coal companies, whose exports were seen as an attractive currency hedge only a few months ago, are now right in the sanctions firing line and their foreign sales are threatened. The coal index has slithered and Amcoal, which is the largest quoted coal company and which generated three quarters of last year's profits from exports, is currently trading around R30 or less than half of the R60.50 at which it stood in March. Manganese shares, too, are falling from grace.

Sharp declines in the number of foreign tourists coming to South Africa and South Africans' own insecurity and unwillingness to spend money have shown up sharply in the profits of Southern Sun, the previously fast-growing hotel group. And consumers' reluctence to spend has severely eroded the margins and sales of the principal retail groups. Pick 'n Pay, which regularly notched up 20 per cent annual profit growth, has been sharply re-rated by investors.

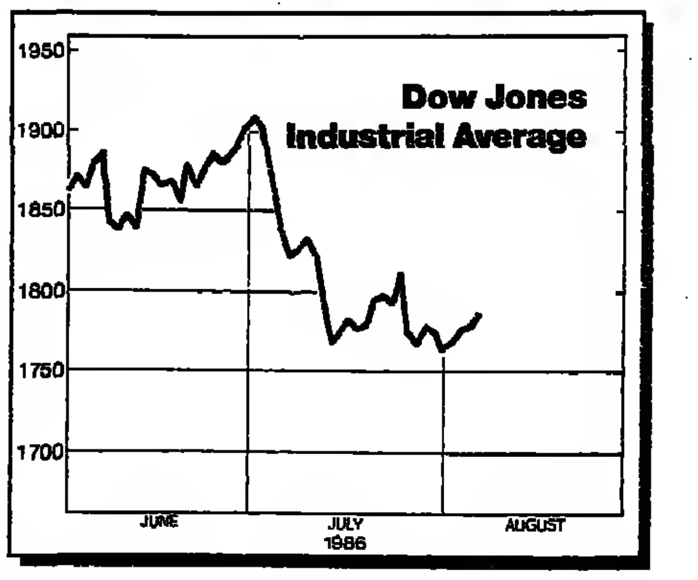
In the industrial sectors recovery stocks are losing some of their lustre and emphasis has switched to shares in companies which are expected to benefit from sanctions. Corporate profits have recovered from last year's depths, but this has frequently been due to considerably lower costs of borrowing rather than because trading conditions have improved. But though brokers caution that industrial earnings are likely to rise by only 15 per cent or so in the next 12 months, they are determinedly putting their clients into equities.

The market's rise and investors' acceptance of significantly lower equity yields has triggered a spate of new issues. Since the start of this year five new gold mines or gold exploration companies have come to the market, while new non-mining issues have ranged from fast food outlets to computer software distributors. These issues have, however, been dwarfed by the amounts raised by some seriously troubled firms. In May Nedbank, South Africa's third largest bank, raised R345m of new equity, largely to replace capital lost on bad debts and gilts trading. The issue was largely taken up by Old Mutual, which is Nedbank's largest shareholder and which underwrote the issue.

While most brokers confidently predict further share price advances, they are unwilling to predict long-term market growth. The current demand for equities is purely a reflection of South African investors' fears and uncertainties rather than of any fundamental strength in the economy. Some brokers are already warning that if fears heighten the market could crack just as quickly as it has risen.

Jim Jones

Modest daily advance



Wall Street

WALL STREET has held its own this week, managing to shake off the shadow of a string of awful Mondays and stage some modest daily advances. But its performance would have been a lot worse if Opec had not lent a hand by putting some zip into oil industry stocks through the production cut agreement: and market psychology in general remained unquestionably cautious, a far cry from the enthusiasm of only a month or so ago.

The new mood of doubt that has spread through the stock market is reflected in any number of analysts reports. To take just one example, Prudential-Bache, among the most enthusiastic promoters of the 1985-86 bull market, says that it now sees very limited upside in the stocks this year. "The most likely case for the equity market now is a weak rally some time in the Fall that should also be the last hurrah for this bull market," says Mr Greg Smith, in Pru-Bache's market and economic outlook.

The problem the stock market faces at present is that there are few signs that can be read as truly positive for investors, while there are several that are negative or at the very least ambiguous. The economy, for example, is showing only lacklustre growth, and some of the recent signals from Washington's economic statistics machine have convinced a few economists that there may be no growth at all in the US in the final six months of this year.

Interest rates are proving equally difficult to read at present. There is a strong contingent of pundits on Wall Street currently howling away at Mr Paul Volcker, Chairman of the Federal Reserve Board, for his failure to bring rates lower and stimulate economic growth.

But this week has indicated the difficulties the Fed faces in pursuing any policy that is more stimulative than the present one. Foreigners have become less willing to invest in US securities. Rates have actually been forced up over the last two weeks in order to persuade investors to participate in the treasury's huge $28bn auction.

Corporate profits have been equally unimpressive, with the end of the second quarter reporting season leaving the market contemplating a somewhat gloomy set of statistics. Overall, American companies are reckoned to have registered a fall of around 5 per cent in profits from the same period last year.

Despite the scepticism about current prospects in the equity market, however, most market strategists believe that stocks will not sink through the 1,700 mark on the Dow Jones Industrial Average, and over the longer term all kinds of upside scenarios are being written.

One of these is that the Japanese and West Germans will finally begin to stimulate their economies and thus give the American manufacturing sector the chance to lift exports meaningfully now that it has the benefit of a more competitive dollar. Another is that Washington will finally come to grips with its overspending problem, relieving the Treasury's enormous appetite for debt, and helping bring interest rates down again.

Finally, there is plenty of potential for corporate profits to improve given the right mix of lower rates and a more favourable trading environment. The restructuring that has gone on in American industry over the past three years, including the heavy write-offs that have depressed the reported profits of the industrial sector, have also helped margins as under-performing divisions have been lopped.

The restructuring effort was still much in evidence last week, even in the steamy, languid days of early August. Intel, the silicon valley chip manufacturer, took a heavy $40m charge against the closure costs of plants in Barbados and San Juan. Owens-Corning, the fibre glass manufacturer, received a $2bn bid approach from Wickes, the building materials group, and Textron, fresh from a phase of busily re-jigging its assets, proposed to buy the extraordinarily-named Ex-Cell-O machine tool group.

At $68 a share, the offer values Ex-Cell-O at about 15.5 times last year's earnings. This may sound modest by the standards of some recent bids in the go-go sectors, but it also says something about business perceptions of a turnaround in the bombed-out manufacturing sectors.

Monday	1,769.97	+6.33
Tuesday	1,777.00	+7.0[illegible]
Wednesday ...	1,779.53	+2.53
Thursday ...	1,786.28	+6.75

Terry Dodsworth

Most roads lead to the Republic

Mining

THE LEAP in platinum prices this week will have been quite frustrating for many mining investors. For the only reason behind the increase — the biggest since the metal markets boom of 1980-81 — is concern about the political future of South Africa, the dominant supplier. But virtually the only way of investing in a substantial platinum producer is putting money into the Republic.

Australia, Canada and the US all offer opportunities for investing in substantial gold companies outside South Africa, but there is no comparable way of investing in an independent platinum producer outside the Republic.

Canada produces a modest amount of platinum. However, almost all of it is produced as a by-product by the nickel companies Inco and Falconbridge. The contribution of platinum to group sales is in each case small — Stockbroker L. Messel has calculated that a $100 an ounce increase in the price of platinum group metals would raise Inco net sales revenue by 2.8 per cent.

The only option left to equity market investors looking outside South Africa is to back the efforts some smaller mining companies are making in prospecting for platinum elsewhere in the world.

The most solid choice could well be Canada's Lac Minerals which has a one-third stake in Stillwater, a deposit in Montana, with Chevron and Manville holding similar stakes. Production is due to start in the middle of next year, initially yielding 78,000 ounces of palladium and 26,000 ounces of platinum a year with the possibility of increases later. Unfortunately, Lac, a gold producer, is involved in a court battle over its stake in the Hemlo camp in Northern Ontario.

Other North American prospects are more speculative — Madeleine Mines, Boston Bay Mines and Bellettere Quebec Mines all have interests in the Lac des Iles deposit in Ontario, which is, at best, some time away from production.

In Australia, one of the more promising prospects is Coronation Hill, a platinum and gold deposit in the Northern Territory which is likely to be developed in the near future. Noranda Pacific, an Australian-quoted associate of the Canadian Noranda group, has a 43 per cent stake. Its partners, Broken Hill Proprietary and North Broken Hill, are both too large to be significantly affected by any probable profits contribution.

Another alternative, is to look closely at the platinum refiner and marketer Johnson Matthey. Its metal does come from South Africa but the assets are mostly outside the country and it is recovering well from the disaster which bit its former banking subsidiary, Johnson Matthey Bankers.

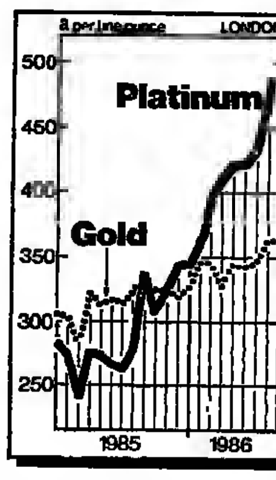
Meanwbile, investors outside Australia and Papua New Guinea will next week get a chance to buy shares in Placer Pacific, the newly-floated company which will hold the Pacific interests of Vancouver-based Placer Development, including a stake in Kidston Gold Mines, Australia's largest gold producer.

The A$128m issue has been restricted to residents of Australia and PNG but foreigners can join the fray when dealings start on Thursday. Robert Needham, managing director of Placer Pacific and of Kidston, was in London this week to talk about the float.

Kidston, which last week announced good interim results for the first half of 1986, was performing well, he said, and the company hoped to make a decision on the Misima Island gold prospect in PNG by the end of the year.

Needham did not say which way the verdict might go but the group will not willingly disappoint its new shareholders. If it goes ahead, Misima could be in production in 18 months.

Beyond that, the group has high hopes of developing the much larger Porgera deposit in PNG. A feasibility study should be complete by the end of 1987.



Stefan Wagstyl

Eric Short reports on proposed unit trusts changes

Guidelines for a brave new world

THE FINANCIAL Services Bill and the City revolution are having their impact on the unit trust industry.

This week the Department of Trade and Industry set out its proposals for unit trusts in the brave new world. Many proposals relate to the technical operations of unit trusts, such as which body will authorise them and what expenses can be charged to funds and what costs managers have to bear.

But the major changes outlined in the proposals will have a considerable impact on existing and potential unit-holders. What will unit trusts of the future offer investors?

The main effect is that investors will be able to satisfy most of their investment needs through unit trusts under the wider investment powers proposed for managers.

In addition to the traditional equities, UK and overseas, and fixed interest securities, managers will be able to invest in many new investment sectors.

The proposals set out four new types of scheme:

- Money market funds.
- Property funds.
- Commodity funds.
- Mixed funds.

However, there are various combinations within these four types so that the unit trusts of the future will have the opportunity to offer investors:

- Cash funds, investing in a wide range of UK money market instruments.
- Currency funds—both specific currency funds investing in one particular currency and worldwide funds investing in a mix of currencies.
- Property funds, investing in direct prime commercial property, mortgages, shares of property companies and other property-related investments.
- Commodity funds, investing directly into commodities, and in commodity futures and options.
- Financial futures funds.
- Securities options funds.
- Mixed funds, investing across the whole range of investments.

Such an extension of investment powers will be necessary if only to allow unit trusts to offer the new style personal pensions to employees.

Thus, the extension of investment powers will enable managers to offer both the supersafe cash funds and the more speculative currency funds, both of which the unit trust industry sought, the highly illiquid property funds and the ultra-speculative commodity funds, funds which the industry did not want anything to do with.

However, one guiding principle is that financial institutions should be able to compete with each other on equal terms—the level playing field approach. So unit trusts will be able to offer a range of investments comparable with other institutions.

No one will force managers to launch property or commodity funds if they think these would be imprudent, although they may feel competitive pressure to do so.

The unit trust industry, over the past 50 years has acquired a justified reputation for security and stability by prudent investment in a volatile media. The DTI, mindful of this reputation and the need to protect investors going into unknown sectors, has set out various constraints to ensure that investment risk is spread and there would be no liquidity problems.

Still, many in the unit trust industry feel that the public will not appreciate the nature of the new speculative investments and will invest solely on the good name of the industry—a name that could become tarnished when the inevitable losses on, say, commodity funds are incurred.

The DTI emphasised that these new investment powers would not enable unit trusts to compete with banks or building societies. Cash funds will not enable unit trust managers to take deposits and they will not be able to offer cheque books. Units must be bought and sold as in any other fund. Neither will a property fund be able to invest in residential property.

Under the proposals, managers will be able to borrow up to 10 per cent of the value of a fund, thus introducing an element of gearing—a feature of investment trusts. Indeed, at times the performance of investment trusts owes as much to gearing as to investment choice. But unit-holders will not be able to borrow from the managers.

The second major proposed change relates to the pricing of units and methods of reinvesting income.

Unitholders are familiar with the two-tiered pricing structure—the offer price at which they buy units and the bid price at which they sell units. What they are probably less familiar with is the methods by which the maximum offer price and the minimum bid price are calculated and whether the manager is operating on an offer or a bid basis.

The DTI considers this system too complex for unit-holders, who are often confused when managers switch from one basis to another with the consequent change in unit price not reflected in the values of the underlying securities.

So it is proposing a change to a single pricing system common to collective funds outside the UK.

This single price would be based on the middle market values of the underlying securities. Managers would add a charge for buying to get the offer price and deduct a charge for selling to get the bid price.

The manager would vary his charges according to marketing circumstances, the biggest factor being whether he is a net purchaser or net redeemer of units. But the single unit price would vary only with changes in value of the underlying securities.

The majority of unit-holders are seeking capital growth and have the income from their investments automatically reinvested. At present managers use one of two methods for this reinvestment. Either they take the income and buy further units. Or they reinvest the income to boost the unit price under a separate class of units known as accumulation units.

The DTI is not happy with the second method. It feels the public is confused when units in the same fund — distribution and accumulation — have different values, though these two types of units were well established and the industry believes, understood. But the DTI would like reinvested income to and have just one unit price for each fund.

The document emphasises that investors are entitled to know how much they are paying for the manager's investment services. It will continue to allow managers freedom to fix their own charges, but they must clearly specify to investors what those charges are.

The other major area in the report directly affecting unitholders relates to disclosure of information. The document sets out a list of requirements that would be imposed on managers. But these are mostly based on the good practice already adopted by many management groups.

The proposals follow another theme of the financial services legislation—that investors must be given full information about their investments. Life companies have been somewhat coy about details, but the unit trust industry has a good reputation for keeping unit-holders informed.

One interesting feature is that managers in reports on one fund will have to give information about other funds in their stable, particularly recent results so that unitholders can compare performance. Many management groups already do this.

For example, most managers already provide detailed information on the trusts within their stable. Now it would be obligatory to provide scheme particulars.

The DTI, contrary to many expectations, has not set out its proposals as immutable or unchangeable. It is a consultative document and the DTI is seeking views and often guidance on most of its proposals. The industry has generally welcomed the proposals, though it will want to discuss much of the detail. The main complaint is the very tight timetable—replies by the end of next month, a period covering the holiday season.

* The Regulation of Authorised Unit Trust Schemes, HMSO, £9.85

UNIT TRUST PRICING

PRESENT SYSTEM

Example of how the maximum issue price and minimum redemption price are calculated on formulas laid down by the Department of Trade and Industry

Maximum issue price—

	Cost of of buying existing portfolio, including expenses, divided by number of units .... =	105p
plus	unit trust instrument duty, adjustment for accrued income, managers' initial charge rounding adjustment	8p
	Total	113p

Minimum redemption price—

	Amount raised from sale of portfolio allowing for expenses, divided by number of units ... =	102p
plus	adjustment for accrued income	
less	rounding adjustment	−2p
	Total	100p

When the manager creates new units, he must pay the trustees the maximum issue price. When redeeming units, he receives from the trustees the minimum redemption price. The spread between these two prices is about 13 per cent. However, a manager does not usually create and redeem units simultaneously. He can operate on a lower spread, say 7 per cent. If the fund is expanding, the manager needs only to create units. Any redemptions can be passed on to new unitholders. So he fixes his offer price at the maximum issue price of 113p since he has to pay this to the trustees and fixes the bid price at 106p. He is operating on an "offer" basis.

If the fund is contracting, the manager cancels units and any buyers can receive units from those up for cancellation. He fixes the bid price at 100p—the amount received from the trustees and the offer price at 107p. He is operating on a "bid" basis.

SUGGESTED SYSTEM

Under the above example, the middle market value of the portfolio based on asset values is, say, 103.5p per unit. The manager has to determine the charges incurred when buying, when selling and his management charge. Assume buying charges 1.5 per cent, *selling* charges 0.5 per cent and management charges on issue 5 per cent.

Actual offer price = 103.5 + 1.5 + 5 = 110p
Actual bid price = 103.5 − 0.5 = 103p
Spread = 7 per cent

Lautro Inquiry

Confessional for sins of commission

WHAT COMMISSION should the intermediary who sold you a life or pensions contract receive for performing that service? Are commission payments too high at outset, or just too high per se? How should intermediaries be remunerated for selling life assurance contracts or unit trusts?

For the first time, consumers have the chance to make their views known on this subject.

Up to now, the life companies and unit trust management groups have themselves decided how intermediaries should be remunerated and in what form. Consumers, who at the end of the day foot the bill, have had no say in the matter. But things are changing.

Proposals from the Securities and Investments Board (Sib) implementing the financial services legislation, envisage that independent intermediaries selling life assurance and unit trusts should disclose the amount of commission earned on a particular sale.

However, if intermediaries are operating under an industry-wide voluntary commission agreement, then instead of this "harsh disclosure" all they will need to reveal is the fact that they are operating under this umbrella. If the consumer is interested, it is then up to him to obtain a copy of the commission scales under this agreement. This is known as "soft disclosure."

The Life Assurance and Unit Trust Regulatory Organisation, Lautro, the self-regulatory organisation set up under Sib to control the life assurance and unit trust industries, is now getting down tot the task of producing that industry-wide commissions agreement. It is this committee which is anxious to hear your views.

It has set up the Lautro Commissions Committee, whose members include not only representatives from life companies, traditional and unit linked, and unit trust groups, but two intermediary representatives and two consumer representatives—Sara Williams, editor of Money Which and James Wootten, editor of World Investor.

This committee will have to consider not only the level of commission but also the form in which it is paid.

For decades life companies on regular premium contracts, both life and pensions, have paid intermediaries a high level of commission at outset—front-end loading—and comparatively low levels of renewal commission. For long-term contracts, the initial commission might be around 65 per cent of the first year's premium and the renewal commission thereafter 2½ per cent.

There is growing pressure against a high front-end load, which results in low surrender values in the early years, and in favour of spreading commission payments evenly over the whole term of the contract, such as 10 per cent of the premiums each year.

The committee will have to decide on the format of commission payments, and might *suggest two alternative methods*. Next the committee will come under increasing pressure to operate differential commission scales, paying the specialist intermediary higher rates than the non-specialist. Life companies were already grappling with this problem.

The committee will have to decide not only whether there should be differential scales, but which classes of intermediary qualify for each scale.

Then the committee will have to handle the thorny problem of payment by benefits in kind. What about the annual intermediaries' teach-in conferences? Can they be held in some exotic overseas resort, with spouses in attendance? Or would that be deemed to be benefits in kind?

Provision by life companies of accommodation and services to intermediaries in return for business has resulted in the growth of the tied agent.

This is a problem which Sib has resolved by forcing intermediaries to choose between being on independent or being the representative of one company only. The committee will be under pressure to severely restrict payments of benefits in kind and the allowable benefits will need to be spelt out in detail.

Finally the committee will *have to deal with the problem* that commission rate levels have been creeping up over the past few years virtually unnoticed by the general public. It will have to decide whether current commission levels are now too high.

In addition to the two consumer members on the committee, Lautro is seeking the views of both consumer bodies and consumers generally. However, the timetable is very tight. The committee wants to formulate draft rules and scales before the end of October. They will then have to be approved by both Lautro and Sib.

So the committee wants submissions from you, the consumer, by the end of this month, a very short time indeed. However it will take life companies at least nine months to implement the necessary changes in their administration systems once the rules have been approved.

Your views should be submitted to Mr Malcolm Reid, Chief Executive, Life Assurance and Unit Trust Regulatory Organisation, Aldermary House, Queen Street, London EC4N 1TP, who will also provide details on the committee, its brief and its membership.

E. S.

New Zealand Fund

Kiwi nest egg merits consideration

THE NEW Zealand Fund is being set up as an open-ended trust to invest in a range of New Zealand equities. Essentially it *is a growth* fund, although unitholders will be able to realise income.

Since the fund is being constituted by a trust deed in the Cayman Islands with an application to the Securities Commission in Hong Kong for authorisation as a unit trust it will be an offshore fund. The only tax liability in New Zealand will be a 15 per cent witholding tax. Investors in the UK, at whom the fund is primarily targeted, will be assessable for normal UK income tax or corporation tax, notwithstanding their reinvestment in further units in the *trust*.

But why should the fund be launched at this particular time, and is it worth considering? It is being set up now because New Zealand is involved in a deregulation programme which makes Margaret Thatcher's devotion to free market forces look utterly socialist.

In its two years in power, David Lange's Labour government, has devalued the NZ dollar by 20 per cent, abolished exchange control, phased out subsidies to agriculture and industry and made a start on reducing labour rigidities. The result has been that despite high inflation for the first year, the exchange rate has soared (it is possibly 28 per cent over-valued now compared with mid 1984). Interest rates have remained high and attracted a great inflow of capital—largely into government bonds. The government's balance of payments deficit and its debt repayments have remained manageable.

In recent weeks, as the *government* has struggled to get its public sector borrowing requirement under control, and interest rates—in line with world trends—have started to tumble, the exchange rate has fallen. It has dropped possibly to a level where New Zealand's exports although faced with protectionist barriers have become competitive. Inflation is around 11 per cent and the country's foreign debt at NZ$ 25bn, does not pose an insuperable problem.

The ultimate aim is to reallocate resources into areas like food processing, and industry and tourism, where New Zealand can make a living through its exports; the demand for its traditional pastoral products having declined.

Whether or not you invest in the New Zealand Fund, which although aimed at institutions, has a minimum subscription of only US$1,000, will depend on two main considerations. Firstly you will have to take a view on the deregulation experiment and on its likely success. Secondly here is the question of the role which industrial/agribusiness equities will play and whether there is a broad enough market to cope with the investment.

There are 252 quoted companies in New Zealand with a market capitalisation of $11bn as of March 1986. This compares with $2,209bn for the US. New Zealand's market capitalisation accounts for 0.19 per cent of the world total and is as such "small beer."

Rob Cameron of Jarden and Co. investment consultants to the fund insists that the market is broad enough to accommodate new investment. Turnover, he says, is $35m a month and the New Zealand Fund is initially looking for funds of $30m.

"At least 60 of the quoted companies have wide marketability," he says. These companies *represent 70 per cent* of market capitalisation.

On the question of whether deregulation will work, all the signs are so far in favour—inflation is down, the balance of payments deficit is under control, unemployment is on the increase but not unbearably so, and the country is holding its own in terms of merchandise trade. The Barclays Industrial Index rose by 70.1 per cent in the year to June 1986.

It remains to be seen whether New Zealand can transform itself through free market policies into a different kind of economy, based on services and value added processing industries, and thereby revive its flagging standard of living.

However, the fund is not aiming to attract vast sums of money. It is more a means of diversion. Since there is no capital gains tax, and no one is suggesting the fund should be anyone's main investment vehicle, it does not represent too much of a risk.

The Trust is managed by JFL Management. The investment manager to the Trust is Leadenhall Offshore and the investment consultant is Jarden and Co.

Stuart Dalby

Fêtes and fortune

AUGUST is the month for fêtes and outdoor events, ranging from church jumble sales to Bank Holiday three-day fairs. But what happens should a visitor to these events sustain an injury or have his car or other property damaged.

The organisers could find themselves being held responsible and legally liable to pay damages and compensation. The sums involved can be large. Even if the organisers can prove that they are not liable, there could still be substantial legal bills to pay.

Cornhill Insurance Group, now a member of the giant West German insurance group Allianz, has launched a new insurance contract — the Special Events Insurance —which will meet this need.

It is available for the smallest single-day event, such as a pet show or a car boot sale, to the several-day, agricultural show events, where the attendance can run into thousands each day.

There are three risk groups, depending on the type of event. Premiums also vary with the length of the event. At one end of the scale, a bring-and-buy sale with cover of £250,000 would cost just £16 to insure. At the other, a traction engine rally would be covered for £1m at a cost of £50, if it is a one-day event.

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A three-way choice is offered in the QUTAS Accumulator unit trust portfolio management service, introduced by Quilter Goodison. You can choose either predominantly UK invested or international trusts, or go for a higher-risk portfolio investing in unit trusts specialising in particular sectors or markets. Minimum investment is £10,000.

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ENDSLEIGH Insurance Services, the largest student insurance service in the UK, has introduced some major improvements to its Possessions Insurance for Students policy, which enables students to ensure their possessions while at university or college.

For the first time, Endsleigh has brought in "new-for-old" cover on this contract as an option to the normal basic indemnity cover, which makes an allowance for wear and tear in settling claims.

The normal contents policy from insurance companies has a current minimum sum insured at a level far above the usual value of a student's possessions.

Even so, though the cover amounts on its students policy are lower, the levels have been included and students have the choice of four cover amounts — £1,750, £2,000, £2,500 and £3,000.

Premiums vary according to where the student is staying while at college. If they are in a designated hall of residence, then premiums (excluding All Risks items) are *standard throughout* the country as under:

Sum insured	Basic cover	New for old
£	£	£
1,750	17.50	21.00
2,000	19.00	22.50
2,500	21.00	25.00
3,000	23.50	28.00

However, if students are in flats, lodgings or other outside accommodation, then premiums are based on the area, as is standard for contents insurance.

The cover applies not only while at college, but at the student's parents' home or other temporary residence, college storage during vacations, in the college or Students' Unions buildings or in transit at the beginning and end of vacations.

The third improvement relates to selected electrical items such as non-portable hi-fis, TVs, tape recorders which are covered on the All Risks section of the policy. Endsleigh has divided the All Risks section in two; the first part covering these selected items at a lower premium than the remaining items in the second part.

The cost of cover for the electrical items for a hall of residence accommodation is £2 per £100 cover for indemnity and £2.50 per £100 for new-for-old, compared with £4 and £4.50 per £100 for other All Risks items.

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MORTGAGES on Sunday, said to be the most popular day for house-hunting, are available from Bank Leumi, who have teamed up with Confederation Mortgage Services, in introducing an endowment mortgage service. Bank Leumi (UK), the British subsidiary of Israel's largest bank, opens for business between 10.00 am and 12.30 pm on Sunday.

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IN A CONTINUING bid to win back investors there are further improved terms on offer this week from building societies. Only a week after launching its Gilt-Edged Bondshare, Abbey National has reduced the minimum qualifying investment from £25,000 to £10,000. The Gilt-Edged Bondshare pays 3.25 percentage points above the variable ordinary share rate for a guaranteed period of two years. Currently the return is 8.50 per cent net, equivalent to 11.97 per cent gross for basic rate taxpayers. Penalty-free withdrawals can be made after 90 days' notice, otherwise investors lose 90 days' interest. Additional investments cannot be made to the same Bondshare but partial withdrawals can be made.

Meanwhile, Northern Rock has increased the return on the two top tiers of its instant access Moneyspinner Plus account. Balances of between £10,000 and £19,999 now earn 8 per cent net CAR, up from 7.80 per cent, while balances of £20,000 and over attract interest of 8.25 per cent net CAR, against 8.05 per cent previously.

And a new account has been launched by the newly merged Birmingham Midshires Building Society. The Premier Ninety, as its name implies, is a 90 days' notice account which pays 8.42 per cent net CAR on balances of between £1,000 and £9,999 and 8.68 per cent net CAR on balances of over £10,000. Interest is paid half-yearly but a monthly income option is also available.

This is a slightly better return than the new rates introduced by the Anglia on its comparable accounts, Capital Plus and Capital Share 90. The former, which is a 60 days' notice account, now pays 8.50 per cent net CAR on balances of over £20,000. The interest paid on smaller amounts in this account, which has a minimum investment of £10,000, remains unchanged at 8.25 per cent net CAR.

The Anglia has also raised the return on balances of over £20,000 in its Capital Share 90, which requires 90 days' notice for penalty-free withdrawals, to 8.43 per cent net CAR. The interest paid on smaller amounts is again unchanged at 8 per cent net CAR. Minimum investment in this 90 days' notice account is only £500. Interest is paid half-yearly with a monthly income option on investments of £1,000 or more.

The West Bromwich Building Society's relaunched Premium Share Plus accounts, which has a shorter notice period of 28 days, also pay 8.25 per cent net CAR on balances of over £10,000 but this is the top rate paid. Minimum investment is £500 and the account pays 7.50 per cent net CAR on balances of up to £2,500 and 7.75 per cent net CAR on balances of between £2,500 and £10,000. There is a quarterly income option and instant access to balances of over £10,000.

The Britannia Building Society has also entered the fray by switching all existing investors in its Trident Gold account with balances of £25,000 or more into a new higher paying Trident Super Gold Plus account which gives a return of 8.30 per cent.

New Issues

Stag party gets the blues

THOSE who believe that stagging new issues is an automatic passport to wealth will very likely have been reassessing their philosophy over the last few weeks. The strong bull market of early 1986 and the sizzling premiums which accompanied it, are fast becoming just a happy memory, and the volatile market conditions of the summer have instilled a fresh dose of realism into the new issues scene.

The shift in attitude towards flotations has become evident in the pricing of companies now coming to the market. There are no statistics to prove the point over such a short time scale, but it has been widely observed in the City that the price/earnings ratios attached to new issues have been perceptibly downgraded.

Today it is a brave company indeed which risks a flotation with a multiple higher than the average for its sector, yet not even these bargain ratings have succeeded in whetting enough appetites to revive the flagging enthusiasm for debutantes.

A glance down the list of recent flotations provides vivid evidence of the need for caution. Of 25 issues on the main market and USM in July, only eight have achieved premiums of 5 per cent or more, while another six are at significant discounts. The rest are barely changed from their issue prices —and many of these are placings, which can usually rely on their initial backers to stand by them in their first few weeks on the market.

Least successful of the recent flotations has been Marina Development, the marina operator which came to the USM through an offer for sale. This company surpassed even Mrs Fields, the cookie company, in its inability to attract subscriptions. Although 51 per cent of the offer was taken up, most of the shares went to institutions which had undertaken to apply for them anyway, and only 10 per cent of the issue was taken up by other parties. The shares sank to a 20p discount to the 110p offer price when dealings began on Wednesday.

Marina's offer followed soon after the flotation of MP Cash & Carry, another USM offer for sale, which left 71 per cent of its shares with the underwriters.

But the main market has had its setbacks, too: GT Management and Morgan Grenfell, both of which might have expected favourable responses because of the expansion in demand for financial services, are at discounts to their offer prices—Morgan Grenfell alarmingly so.

All of these companies have to varying extents, blamed their uninspiring debuts on adverse market conditions. Yet this argument sounds a little thin when one considers some of the recent successes.

Among the leaders have been Thames Television and TV-am, both still at healthy premiums to their offer prices and the latter proving that USM need not necessarily mean doom for an offer for sale. Borland, the US software house, is another USM offer which has held on to most of its premium.

The most extraordinary performance of all has come from Shield, a property company which came to the USM last month through a placing at 72p. This company won a favourable reception in any case from investors who saw a rosy future for its business of refurbishing desirable London residences. But days after dealings began, it won planning permission for the development of a prime site in Hampstead overlooking the capital. Its shares are now at around double their flotation price.

Generalisations about the new issues market are frequently confounded by events, but if there is a moral to be drawn from the current crop of flotations, it is that only the most interesting issues can be relied on to attract a warm response.

Institutional fund managers have been confronted with a glut of new issues in the run-up to the summer holiday season, and some say that the indifferent quality of some of the companies, combined with the unreceptive state of the market, has led them to spurn all but special situations—of which Thames Television and TV-am are two obvious examples.

That said, the glut is about to be followed by a dearth—perhaps just as well in view of the heavy calls on funds which will come from Trustee Savings Bank in September and British Gas in November. There are hardly any new issues on the stocks for August, and any that come along will benefit (or otherwise) from the full glare of publicity.

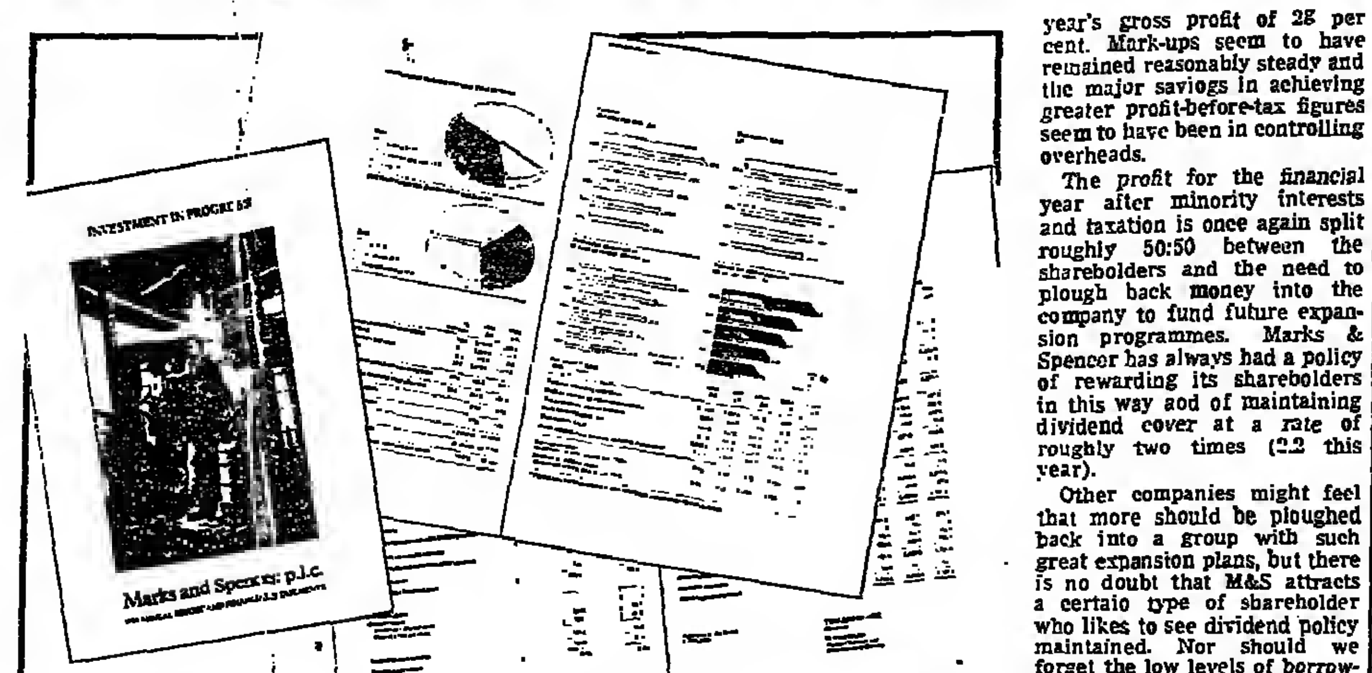
The next issue of any size seems likely to be Yorkshire Television, due on August 22. Yorkshire, of course, will be hoping to go where Thames TV and TV-am have gone before—that is, to a healthy level of oversubscription and a fancy premium.

As with every flotation, the crucial issue will be the price at which it pitches its offer, and the market will be watching to see whether the precedent of the other two television station flotations lures Yorkshire's vendors into being greedy.

Richard Tomkins

Understanding Reports and Accounts

Marks & Sparks tells it like it is



MARKS & Spencer's 1986 accounts theme—Investment in Progress—start like most published plc accounts these days with pictures of the directors, summarised information and the chairman's statement. This year, the directors look a happier group than the solitary "would you buy a used car from this man?" shots favoured in 1985. The law requires that the names of the directors be stated within the financial information; it does not ask for pictures. These are part of the efforts to put a human face on management.

The summary of the M & S group results is shown on the next two pages; well presented, with bar diagrams, it is nevertheless only a summary and should be passed over quickly by anyone intending to look for the full story in the accounts. To read snippets might be misleading; you can come back later to see how well the information has been presented once the accounts have allowed you to form your own opinions.

Next, the chairman's statement: it should be read, but only for background information. Lord Rayner is presenting you with the opinions he and his board hold. Perhaps you will agree, perhaps not, after reading the accounts.

However, important information in this year's statement appears to be that:

● The M & S chargecard is now held by 1.2m people and accounted for 8 per cent of UK turnover in 1986. The belief of the board is that there has been an overall increase in sales of 2 per cent. But it has generated a "substantial level of debt" which has been financed by short term borrowings.

● Due to planned capital spending policies, the company will become a net borrower during the next two years. However, the level of debt will be comfortably within borrowing capacity.

The colour of the paper changes as the page turns to the report of the directors. This information is required by law. Although it has not been audited, it has been examined by the auditor and found to be in agreement with the financial facts published in the accounts.

More of the old school of directors have retired during the year and one new non-executive director has been appointed. Changes in directors mean changes in management to enforce any new polices.

Directors' shareholdings are comfortably substantial. After all, it would be rather worrying if the people at the helm of the company did not have enough confidence in their management skills to invest their own money in the company.

The directors, like many other employees, also have substantial options to purchase further shares at advantageous prices. Note eight tells more about the share scheme. These seem to be good and fair: rewarding long service and restricting the amount of gain an individual can make.

Marks & Spencer has made charitable donations at its usual level, but no political contribution this year. This is unusual but the company stresses that it expects to make further contributions when it feels it should.

Two items in the directors' report might need some explanation: resolution number nine and the close company status.

Resolution nine was forced on M&S by the most recent Companies Act (1985) which requires that the shareholders at a general meeting must allot unissued shares, and prevents the directors from issuing such shares (to meet the requirements of the share option schemes, for example) and reporting their allotment to the meeting. The resolution asks for a specific right for the directors to issue shares for cash up to 5 per cent of the authorised share capital.

The status of close company is set out in the Taxes Act 1970 and is a company under the control of five or fewer participants (broadly meaning shareholders) or under the control of its directors. Close companies are subjected to additional tax requirements. M&S is not a close company and therefore not subject to the additional tax requirements.

The accounting policies show several important facts:

● The historic cost convention on fixed assets has been varied to allow certain properties to be revalued.

● The trading results of the overseas subsidiaries have been translated using the average rates of exchange during the financial year. *This is a change in accounting policy.* Last year's figures have been restated where relevant. The balance sheets of the subsidiaries have been translated at the rate of exchange prevailing on the last day of the year.

One last check and then finally you are ready to interpret the accounts. The auditors' report on page 39 gives an independent qualified chartered accountant's view of how the company is trading, reported directly to the shareholders. If that accountant has found problems or is dissatisfied in any way, this is where such views will be stated. There is no such unhappiness with Marks & Spencer's figures. The report indicates that transactions have been recorded correctly and are reflected in the balance sheet and profit and loss account.

Now at last you should look at the consolidated profit and loss account and balance sheet.

Start with the former, the story of the year's transactions, and look at every line together with its back-up notes. Then you can apply some ratios to see if there are any more pieces of information to be found behind the figures.

Retail turnover in the UK was up by 17 per cent and profit before tax by 22 per cent; turnover in Europe was up by 14 per cent and profit by 47 per cent; turnover in Canada was up by 3 per cent and profit by 8 per cent. The financial side (charge card, leasing and insurance) show a turnover increase of 62 per cent and a net loss of £5.1m, causing an overall reduction in UK profit before tax to 20 per cent increase on last year.

Once again, it is Canada that seems to be the biggest retailing problem and the UK which seems to give the best return on capital. Unfortunately, the individual companies' balance sheets are not given so you cannot work out the comparable returns on capital employed.

The gross profit of 28.6 per cent compares with the previous year's gross profit of 28 per cent. Mark-ups seem to have remained reasonably steady and the major savings in achieving greater profit-before-tax figures seem to have been in controlling overheads.

The profit for the financial year after minority interests and taxation is once again split roughly 50:50 between the shareholders and the need to plough back money into the company to fund future expansion programmes. Marks & Spencer has always had a policy of rewarding its shareholders in this way and of maintaining dividend cover at a rate of roughly two times (2.2 this year).

Other companies might feel that more should be ploughed back into a group with such great expansion plans, but there is no doubt that M&S attracts a certain type of shareholder who likes to see dividend policy maintained. Nor should we forget the low levels of borrowing throughout M&S as a whole.

The earnings per share are 8.4p, which is 1.5p up on 1985. Showing a price of 203p per share on July 10 gives a price earnings ratio of 24.3 (203/8.4). This compares with the p/e ratio for stores, shown in the actuaries index on the same day, of 20.07.

The actuaries index shows an average for a number of companies in a particular sector, in this case 40. Since M & S is outperforming the average, you can be sure the reason is because the share is seen as a market leader. When the p/e ratio goes above 20, it often means that a glamour stock is about to lose its following, or the market itself is about to take a tumble. M &S is not a glamour stock.

There is not much more to be learned from the profit and loss account alone. Next, you need to look at the balance sheet in depth and then use the information found there to establish the return on capital employed in M&S. Meanwhile, it has been established that:

● The company made a profit.
● The profit was made mainly in the UK.
● It has continued its dividend policy.
● The market still views M&S as a good investment.

Next week's article will look at the balance sheet and identify points to be looked for in the 1987 accounts.

Jane Allan

BRIEFCASE

Cancer link at work

My father, who died from cancer of the lungs some 24 years ago, worked in dockyards during the war maintaining and repairing merchant and Royal Navy vessels. In his work he came into contact with asbestos which I believe was used extensively on ships at that time.

I have recently learned from the widow of a man who worked closely with my father that when her husband died of cancer some eight years ago she received compensation based on the, now established, connection between asbestos and cancer.

I wonder if such compensation would be available to my mother, who is still alive, and, if so, how and to whom a claim should be submitted?

It is most unlikely that your mother could make a valid claim now, because the damage which she suffered took effect 24 years ago. It may however be worth pursuing the question of an ex-gratia payment. She would be wise to consult a solicitor.

Giving advice

As accountants we write in regard to your item on July 12 under the heading "Lost tax relief."

We have found that the whole area of MIRAS is not so much open to arbitrary interpretations but, even at the highest level, seems to be generally misunderstood eg by HM Inspectors of Taxes at central unit and by one general manager of one of the country's largest building societies.

On the basis of the admittedly restricted information given to you by your reader I would have thought that tax relief was available to the writer for the tax years 1985-86 and 1986-87 on 30/52nds of the mortgage interest paid gross and the one simple fact that would almost certainly confirm same is that MIRAS is to be applied by the building society from 1987.

The situation seems to be that if a mortgage does qualify to be operated under MIRAS—whether or not the building society do so can depend on its particular election for mortgages over £30,000 or how the mortgage was originally set up—the fact that such relief is to be applied in the future means that the loan did qualify in the past and the tax relief can be obtained directly from the Inland Revenue.

We trust that this information might be of some assistance to you and/or your reader and we would, finally, partly tongue-in-cheek but partly seriously, suggest that your readers should consult accountants rather than solicitors in any dealings with the tax man. It does seem to be a fairly standard reply of yours that a solicitor should be consulted, but, with no disrespect intended to solicitors, accountants can and should be consulted in a number of the matters you refer to and one specific area, deeds of covenant, is an area where solicitors, while they can draw up such deeds, do not fully understand the tax workings and implications of such an arrangement.

Yes indeed; the number of tax inspectors and building society managers who fully comprehend the intricacies of the MIRAS scheme appears to be quite low. It soon became known in the building society world as the MORASS scheme, as you probably know.

Where—as happens all too often, unfortunately—a reader gives us inadequate data for a reliable answer, we do not like to risk raising false hopes by giving a speculative reply. Our general practice, therefore, is to recommend Revenue pamphlets (if there are any on the points in question), with an invitation to come back to us if need be. We hope that publication of such replies, from time to time, will encourage readers to send us full background facts, figures and dates, when seeking our advice. The replies provided in a free service must necessarily be fairly brief, so the more data our readers send us the more likely they are to receive a clear and helpful answer.

Turning to your final paragraph, we should explain that our practice is to recommend full use of whatever professional advisers each reader already has. Thus company directors are generally recommended to consult their companies' auditors on tax matters, but people buying or selling houses are recommended to consult the solicitor who is doing the conveyancing. Even if the auditor or solicitor has no tax expert in his or her firm (something which is becoming rarer), he or she is likely to be able to recommend a suitable local firm—which may be better than leaving the reader to make a selection from advertisements.

On deeds of covenant, we should direct an unaided reader to a solicitor, simply because it is a criminal offence for an accountant to prepare a deed (in England and Wales, at least). Finally, perhaps we should say that the person who composed the "Lost tax relief" reply, and this one, is neither a solicitor nor a member of an accountancy body.

Family heirlooms

I own some pictures, which have been in the family for many years, and which are heirlooms.

Is it possible to create a trust for these, to ensure that they remain in my family, ie, my direct or indirect descendants, so as to make certain that they are never sold? If that is possible, what would be the tax implications and what type of trust would it be?

It is possible to tie up the interests in the pictures for some considerable time, though not indefinitely, by placing the pictures in trust and ensuring that no interest vests until a long remote date, and providing for gifts over on an attempt to alienate the vested or contingent interest. You should consult a solicitor.

Water pressure

The roof tanks of our 1930 block of flats are well over 100 ft from ground level. In the last year or so, they have from time to time emptied because of a drop in mains water pressure. What is the water Board's statutory obligation as regards water pressure in relation to a building such as ours?

There is no reason why the water authority should not be required to comply with its statutory duty to maintain water pressure to the top storey.

Charities

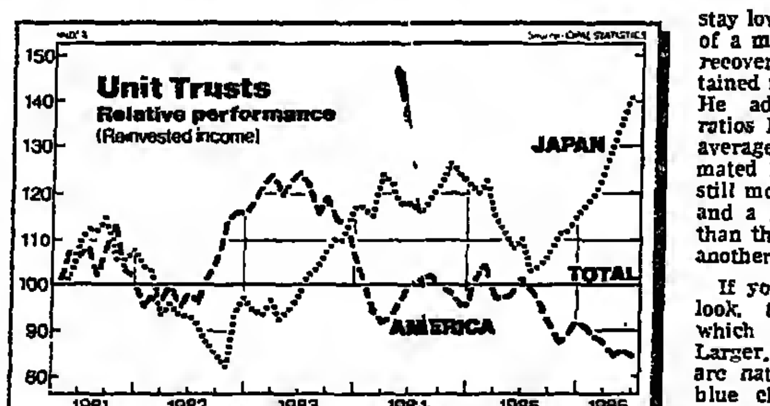
I had thought that inheritance tax was not payable on charitable gifts, contrary to your advice last week. Am I wrong?

You are right.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Ups and Downs of Transatlantic Unit Trusts

Twitchy Wall Street worries investors



UNIT TRUST investment can be an up and down sort of affair. Just ask anyone with money in a North American fund over the past couple of years.

Back in 1984, they were riding high. Wall Street, after a jittery spell since mid-1983, was showing signs of life again and—more importantly—the pound was being murdered on the foreign exchanges.

A year later, just as scores of investors—encouraged by some tempting performance statistics—were trying the US market for the first time, everything turned to gloom and despondency.

The market might have been motoring ahead, but sterling's return to grace against the dollar wiped out any local gains for UK investors. US unit trusts managed only a 2 per cent return in 1985. Few people were clever, or lucky, enough to hedge their portfolios against currency losses.

This year has been a different story. During the first six months, Wall Street continued its record-breaking run: the Standard and Poors Composite index climbed by more than 20 per cent; and the pound/dollar exchange rate was locked in a relatively narrow trading range. So UK investors in North American did very well. Lately, however, Wall Street has been showing its old twitchiness. The Dow Jones index has come back sharply from the peak of over 1900 reached in early July in a market beset with doubts.

Before reaching for the phone and shouting sell orders down the line, though, take note that most fund managers—admittedly, optimists by nature—reckon that the "correction" will be short-lived and that share prices will resume their upward path later this summer or autumn.

The hope is that the fall in the dollar—which peaked internationally 15 months ago—and lower energy prices will filter through into a more robust economy later this year. And although the date for recovery has been set back, the upturn should persist at least through 1987.

As Michael Foreman, manager of Allied Dunbar's £140m Securities of America Trust, puts it: "Inflation is likely to stay low so there is little danger of a monetary clampdown. The recovery should be more sustained than in the recent past." He adds that although p/e ratios have been rising (to an average of around 14 on estimated 1986 earnings), they are still modest by world standards and a good 20 per cent lower than they were in the 1960s—another period of low inflation.

If you fancy the overall outlook, the next question is: which fund do you go for? Larger, more established trusts are naturally oriented towards blue chip stocks. "We can build up decent-sized holdings and trade them easily," says Foreman. These funds lead the longer term performance tables—the top four over the five years to June are all over £75m—largely thanks to an impressive record in 1984-85 when US institutions were sheltering from a weak economy by buying large capitalisation, high yielding stocks, and when mega-merger mania was raging.

Since then, some sprightly young funds devoted to special situations and smaller companies have battled their way to the top of the league.

That partly is a reflection of the widespread determination of new entrants in the unit trust field to give their first funds a flying start in life. "We use contacts with other funds in the group and leverage them to make the unit trust perform in the short term," says William Vincent, in charge of Touche Remnant's £5m American Growth fund, which is leading the pack over the past year.

However, there is also a widely held feeling that small stocks, after largely missing the bull market of the past two years, are again set to take up the running. Small companies, points out County Bank's Peter Holland, are trading at historically low premiums to their less exciting rivals on the main board. "They are cheap at a time when their fortunes are no longer deteriorating."

County has moved half its portfolio into second line shares fand is considering launching a US small companies specialist), while, among the bigger funds, Abbey's £110m American Growth fund has shifted a quarter of its assets into stocks capitalised at under $400m. Some observers suggest this could be the start of the fashion-conscious unit trust industry's latest trend.

Martin Winn

HOLIDAY SHOPPING BASKET

ITEM (£)	Portugal	Corfu	Costa del Sol	Cyprus	England	Majorca	Rhodes	Tenerife	Yugoslavia
Kilo of butter	3.17	3.05	4.54	1.34	2.10	4.86	1.60	1.74	7.20
Kilo of cheese	3.42	3.99	4.37	2.14	2.99	5.09	2.79	5.34	3.13
One dozen eggs	0.79	1.04	0.78	0.56	0.80	0.82	0.75	0.97	0.75
French bread	0.43	0.30	0.14	0.33	0.39	0.17	0.31	0.27	0.13
Litre of water	0.23	0.18	0.13	0.19	0.27	0.24	0.22	0.32	0.19
Litre of milk	0.32	0.48	0.43	0.29	0.78	0.40	0.63	0.39	0.34
Kilo of pork	4.30	2.54	2.67	1.60	2.86	4.12	2.40	3.10	2.66
Kilo of lamb	4.52	3.60	3.88	4.00	5.41	4.85	2.88	7.28	2.50
Lettuce	0.23	0.34	0.17	0.13	0.22	0.27	0.29	0.09	0.23
Kilo of tomatoes	0.68	0.43	0.24	0.32	1.07	0.41	0.34	0.44	0.31
Cucumber	0.23	0.18	0.18	0.53	0.45	0.24	0.12	0.18	0.47*
Kilo of sugar	0.51	0.50	0.51	0.23	0.44	0.53	0.55	0.67	0.34
250gms of tea	2.26	1.18	3.20	1.27	1.24	3.14	0.86	2.18	1.88
Bottle of wine	1.36	0.96	0.85	1.07	1.99	0.61	1.44	1.12	0.70
Bottle of beer	0.16	0.29	0.36	0.39	0.45	0.16	0.55	0.25	0.26

Source: Thomas Cook (July 1986) *per kilo

TEA-LOVERS heading for a self-catering holiday abroad should pack plenty of their favourite brew and anyone going to Yugoslavia should be prepared to give up butter for the duration of their stay. That's the advice from Thomas Cook's Holiday Shopping Guide.

The guide shows that 250 gm of tea costs anything between the equivalent of £1.18 in Portugal — where it is the cheapest and cheaper even than you would pay at home — to as much as £3.14 in Majorca and £3.20 on the Costa del Sol. But the good news for those who prefer a headier brew is that both beer and wine are cheaper at the main holiday resorts than they are in Britain.

At £7.20 a kilo in Yugoslavia butter will cost you three times more than you would pay in Britain but at £2.50 a kilo, lamb is cheaper than at any of the other destinations. Cyprus, which is regarded as one of the more expensive destinations for package holidays, proves to be the cheapest for the self caterer. Its supermarkets offer the best value all round and the cheapest butter, eggs and pork.

Though coffee has been excluded from the survey because of the wide variation in price the guide recommends taking a supply of your own.

Margaret Hughes

BRIDGE

TERENCE REESE and Julian Pottage have collaborated in another book. Positive Declarer's Play (Gollancz £7.95 hardback, £4.95 paperback). The hands are really excellent—some are very difficult—but you will enjoy them, and you will certainly learn from them.

Try your skill on this deal:

```
            N
          ♠ A K 7
          ♡ J 4
          ◇ 8 4
          ♣ K J 10 9 7 5
W                     E
♠ 10 8 3              ♠ Q 6 5
♡ 9 2                 ♡ 8 6 5 3
◇ K Q 10 7 3          ◇ A 9 6 5 2
♣ A 4 2               ♣ 8
            S
          ♠ J 9 4 2
          ♡ A K Q 10 7
          ◇ J
          ♣ Q 6 3
```

East dealt with both sides vulnerable and passed. South bid one heart, and North replied with two clubs. South rebid two hearts, but North said two spades, a responder's reverse, which is forcing. South raised to three spades, and North's bid of four *hearts* concluded the auction.

West led the diamond king and followed with the queen—do you ruff, or do you discard? It is essential to ruff. To discard might run the risk of losing a club ruff in addition to the ace. Now what—draw the trumps? Of course not. If they break 4—2, you would lose all control.

Don't be mean. Let the defenders ruff a club, if they can. Lead the club three and play the nine, if West follows with the two, then return a club. West makes his ace, and leads another club for his partner to ruff. You are now in complete command. You cannot be forced again with a diamond—dummy can ruff it—you win any other return, draw the trumps, and claim. It is sometimes essential to let the opponents make a ruff—it restores the balance of power. In actual play during the European Championships the declarer misplayed the hand by refusing to ruff the second diamond. But he got away with it, because the clubs were divided 2—2, not 3—1, as given in the diagram above.

Here is another heart contract:

```
            N
          ♠ 10 9 7 6 2
          ♡ K 8 6 4
          ◇ J 9
          ♣ 9 5
W                     E
♠ A 8 4               ♠ Q J 3
♡ Q J 2               ♡ 10
◇ Q 8 7 4 3           ◇ K 10 5 2
♣ 6 2                 ♣ J 10 8 4 3
            S
          ♠ K 5
          ♡ A 9 7 5 3
          ◇ A 6
          ♣ A K Q 7
```

South dealt at game all and opened the bidding with one heart, North raised to two hearts, and the opener jumped to four hearts. I am surprised that he did not rebid three clubs—North might have had a better hand than the one he actually held.

Against four hearts West started with the diamond four, which was covered by the nine, 10 and ace. The declarer without sufficient thought cashed ace and king of trumps, followed with his three club honours, discarding a diamond from the table, and then ruffed a diamond. Now he was in trouble. He had no fast entry back to hand in order to ruff his losing club. He returned a low spade, East played the knave, and West took South's king with his ace. He drew dummy's last trump, switched to a diamond, and the declarer had to go one down, losing two spades, a heart, and a club.

After winning the opening lead, declarer should draw just one round of trumps with the king, then cash the three club winners, discarding dummy's remaining diamond. Now he crosses to hand via the ace of hearts, and leads his club seven. It does not help West to ruff, so dummy ruffs, and South gets home, losing one trump and two spades.

E. P. C. Cotter

Bewildered by choice

HOUSEHOLDERS living in southern England wishing to buy or sell a house already face a bewildering choice. Do you use a clearing bank, a merchant bank or an insurance company.

All these financial institutions have been busy getting into the estate agency business.

Now the choice is being widened even further with the entry of a multinational insurance broker, Hogg Robinson, into this field—getting out of Lloyd's agencies into estate agencies as Philip Olsen of stockbrokers Kitcat and Aitken put it.

As yet, Hogg Robinson is still relatively small in this field. Its proposed £5.75m acquisitions of Vernon & Son and Howard Son & Gooch will bring in 25 offices and nearly 200 staff in Berkshire, Buckinghamshire and Oxfordshire.

However, Hogg Robinson plans by the end of the year to have 100 offices in southern England.

هكذا من الأصل

Chunnel spoils Kentish prospects

Better road links are pushing Kent prices up while prospects of the Channel tunnel still frighten buyers, writes John Brennan

IF THE residents of Kent knew for sure where the contractors were going to put the 4m cubic metres of spoil expected to be removed from the British end of the Channel Tunnel, and just how it was going to get from construction site to final resting place, there would be far fewer doubts about house prices. The *prospect of being on a quarry* truck run around the tunnel terminal at Cheriton, near Folkestone, or around the tunnel's freight and foot passenger rail-head at Ashford, does not appeal to the locals.

"If we hesitate long enough, I suppose we could let the French do all the digging and take the spoil on their side," says Christopher Calcutt—a contribution to the debate that, although droll, is quite as sensible as some of the over-exuberant "pro" and deeply dismal "anti" reactions that the fixed link has sparked off. Calcutt, who runs Strutt & Parker's Canterbury office, looks to the development of the M25 and M20 motorways as the real cause of a sharp rise in house prices across mid-Sussex and Kent in the past year although the tunnel has increased pressure for improved road and rail links.

"In terms of value," says Calcutt, "prices relate directly to distance from London. The completion of the missing link of the M20 (between Ashford and Maidstone) is having a greater effect on house prices than thoughts of the tunnel." That motorway link into the M25 orbital system will ha finished before the end of the decade, so there is some forward thinking in buyers' attitudes to properties north of Ashford.

On a broader front, however, Calcutt thinks that "many people are taking the tunnel into account when they look at properties as an investment and they are expecting prices to rise throughout the Sussex-Kent area as the opening day approaches." Eurocrats from Brussels have already taken that line; Strutt & Parker reports that "a lot of people working in Brussels have weekend cottages in Kent now. The motorways to Calais are good and it is a short run from the ferry ports after that."

Humberts' Christopher Williams-Ellis agrees. "Estate sales have been given a boost by the fact that Kent will be on the main line between Europe and London." But, like his fellow agents, he sees the M25 and the electrification of the rail lines as more immediately significant, having broadened the London commuter range.

Virtually all the £200,000-plus properties sold by Humberts in recent months in the Sussex-Kent area have been to London buyers, and Williams-Ellis reports: "We have a lot of inquiries from the Clapham area where people have been cashing-in very large price rises in the past year or two and thinking they can buy a nice country farmhouse in Sussex. They have been pushing up the prices." They can keep on doing so because, "people seem to be able to borrow incredibly easily at the moment."

Williams-Ellis points out one effect of this influx of Clapham exiles and refugees from other high-priced inner London areas: "There is an almost complete gap in the £100,000 to £140,000 price range for four-bedroom houses in or near villages." When these properties do come up, they do not stay around for long, Williams-Ellis recalls: "We sold one within 20 minutes of it coming in."

Houses and cottages with two and three bedrooms tend to be too expensive for local buyers and a bit too small for incomers wanting as near a mini-country house as they can afford. The Kent and Sussex barns so beloved of converters have also begun to move into a price vacuum. As Williams-Ellis says: "Every farmer who owns an old barn is dead certain that it is worth at least £100,000."

Don Baggott of Taylor & Tester confirms that it is commuter push rather than tunnel pull that is driving up prices south and east of the capital although he does say: "When the tunnel was last mooted, it had the opposite effect on prices because there were fears that a widening of the Edenbridge and Redhill railway would hit values. Properties in Edenbridge became very difficult to sell because people didn't fancy being next to a line with high-speed trains hurtling past every 12 minutes."

This time, the tunnel proposals have had the effect of increasing the already enormous pressure on building sites, which in turn has given an upwards twist to prices from starter homes right up the scale to country estates. Baggott believes the tight green belt restrictions cannot hold forever, given the demand for housing; and that recent speculative purchases of farmland close to the motorways—at way above agricultural values—shows there already are people betting on a relaxation in planning controls.

High land prices make existing country houses something of a bargain. "If you want to build a substantial detached house," says Baggott, "you would now be talking of £80,000 or so for a quarter-acre plot. It would cost you more than another £40,000 to build a good four-bedroom, two-bathroom house and you could have a 14-room mansion for £300,000."

In other words, a bit over twice the price for many times the scale and stature of building. It is little wonder that incomers able to raise big mortgages are willing to borrow to step up from the mid-hundred thousand pounds needed for an undistinguished semi-detached to the quarter million-plus pounds needed for a smaller country house. Necessity has, in effect, become the mother of a new squirearchy—would-be semi owners are being forced to think big.

In looking at those bigger country house properties, Baggott says there now is little competition from the developers, who were fond of creating several flats from a single old house a few years back. "Now that they cannot reclaim VAT on their building costs, the profit margin on splitting up old houses has gone," he adds.

City financier Oliver Jessell is trading down to a smaller house now that his family has grown up. After 30 years at The Grange at Marden near Maidstone, he's put the eight bedroom house on the market for £650,000 plus. Farley & Co (01-589 1234) and Humberts (0273-478828) are jointly selling the 17th century house, which has 17½ acres of grounds, a two bedroom staff cottage and the great advantage of being just nine miles from the M20 and M25. The house is a 35 miles Rolls run into London, or 50 minutes by train (to Cannon Street) from Marden station, a mile down the road.

The Chateau de Ramaisall, former summer retreat of Bernard and Laura Ashley, is being sold by the late designer's recently quoted public company, Laura Ashley Plc.

The 18th century 12 bedroomed chateau includes a converted coach house and stable block which now serves as a self contained-office and conference centre. The chateau, in Picardy, Northern France, stands in 35 acres of ground and is on offer through the Brussels office of Grimley & Son (010-32-2-5121612 at "over 3.5 million French Francs".

No need to fear thatch

Thatched roofs need cost no more to maintain than conventional ones, says John Brennan

THATCHED COTTAGES and houses either appeal to, or are automatically rejected by prospective buyers. The appeal is traditional. The rejection is more pragmatically based on assumptions of excessive insurance premiums, constant maintenance and repair costs, and concern about having a roof that doubles as a wildlife sanctuary.

CGA Insurance Brokers of Letchworth, Herts (0462 682377) has been doing something about the costs of cutting household cover for thatched properties. The brokers believe that, "provided the chimney is sound and works efficiently, the internal fire risks with a thatched property are really the same as with any other similar building." And once the fire risk is put in perspective, the insurance premiums come closer into line with the insurance costs of other houses.

As for the constant maintenance, that, like so much about thatch, is something of a myth. In its researches CGA found that, "a well constructed, good quality Norfolk reed roof will last from 30 to 60 years, whilst you can anticipate a life of 20 to 40 years from a combed wheat reed thatch and propably 10 to 20 years for a long straw construction."

It is a useful, straightforward view of the life of a thatch, and just the kind of generalisation that would irritate Ian Love. He's a master thatcher, a man with 16 years' experience of the craft in the heavily thatched counties of Cornwall and Devon. He's also someone who insists that averages and generalisations have no meaning when it comes to something as individual as a thatched roof.

"Like anything that is hand-made, you have to get the feel of it." Different materials, different styles of thatching, different weather conditions create different problems for a thatcher called in to estimate the time and costs of a repair or replacement job. And there are different approaches to thatching in different parts of the country as well.

"In Suffolk it is usual to strip right down to the timbers in each case, in the West Country there is normally such a depth of old thatch that God knows what you'd find if you went to the timbers", says Mr Love. Instead, for West Country houses, "it is normal to do a recoat."

Just to make matters even more complicated for an existing or prospective owner of a thatched roof, Love says that not all thatchers are as adept with the Leggett and Liggers of the craft as they might seem.

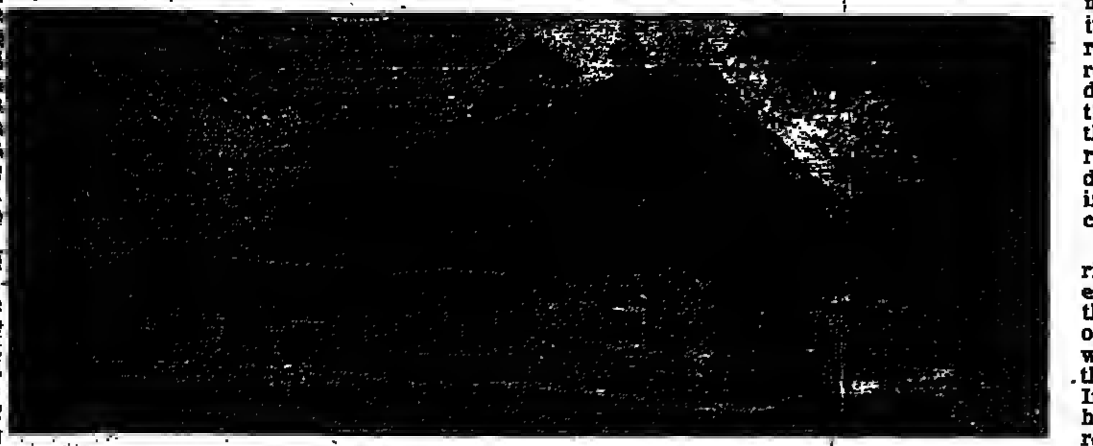
A few years ago, when up to 90 per cent grants were being freely handed out for rethatching work, "anybody who could afford a ladder called himself a thatcher." Pressure of work meant that properly skilled thatchers were quoting several years delay before they could undertake a full-scale roof replacement job, and the cowboys filled the gap.

Even now, when the grant cash has slowed to a trickle and is mainly reserved for work on the roofs of listed buildings, and when thatching order books are rarely longer than six months to a year, there are still plenty of rogue roofers around. They may quote keen prices and bend straw in a convincing way, but there is no guarantee that they have the skills to ensure that a roof is properly crafted in the style of the area, or sound enough to last.

That poses additional problems for would-be buyers. How are they to know if the roof of the chocolate box thatched cottage they have their eye on was built like Eeyore's house—ready to be scattered in the first heavy breeze? One way is to get a thatch survey alongside a general survey of the property.

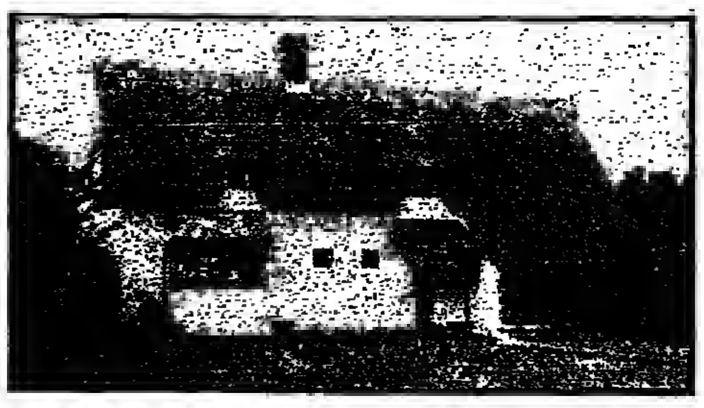
The local secretary of the Master Thatcher's Association will generally be able to help find a member willing to check a roof for a survey fee. As Mr Love says, "We'd much prefer if people would buy with their eyes wide open and a full idea of what condition their individual thatch is in."

The Council for Small Industries in Rural Areas (CoSIRA) and the Society for the Protection of Ancient Buildings (SPAB) provide a list of contact points for master thatchers in their practical guide to: "The Care and Repair of Thatched Roofs." That gives a good clear picture of thatch management and costs £1, post free, from CoSIRA, 141 Castle Street, Salisbury, Wiltshire SP1 3TP, or the SPAB, 37 Spital Square, London E1 6DY.



A 16th century pair of two-bay cottages converted into a row of four farm cottages and turned four years ago into a single, four bedroom family home might not really rate as "one of the oldest surviving Yeoman's cottages in Hampshire". But a little poetic licence seems in order for the Grade II listed St Andrew's Cottage in Church Lane, Meonstoke. A half acre garden running down to the River Meon, and a Saxon neighbour in the form of the church of St Andrew's make it picturesque with a capital P.

Agents Austin & Wyatt (04893-6333) clearly hope to draw buyers from "up-country" with a freehold guide price of £240,000 and their descriptions of the ease of travel by the A32/M3 into London or rail from Winchester, which is 11 miles away.



A three bedroom, 17th century thatched cottage in three-quarters of an acre of garden for £85,000. . . If Strutt & Parker could move it a little closer to London they could take the asking price into six figures. But despite mainline rail links to Liverpool Street Station at Stowmarket (three miles away), Ward Green, Suffolk is a little outside London commuting distance. Even so, Mr Jock Lloyd-Jones (0473-214841) is unlikely to find Long Thatch Cottage sticking on his books.

Most people's first sight of The Thatched House at Smarden in Kent will have been at 20,000 feet, viewed dozily over the head of the passenger in front. For some reason the 1979 screen version of Agatha Christie's "The Mirror Crack'd" was beloved of airline film selectors. A five bedroom house with a separate two bed flat set in three acres of grounds with swimming pool, garaging for four cars, stabling for four horses and a pond. It has Elizabethan origins but modern fittings. Smarden, Kent is three miles from Headcorn, 15 miles from Maidstone and in striking distance of the M20. Anthony Wardell, of Knight Frank & Rutley (01-629-8171) expects offers over £275,000.

Builders that get struck off

AROUND 40 builders a year are thrown off the National House-Building Council (NHBC) lists. That's a draconian response to persistent failure to meet the NHBC's construction standards, because it effectively forces the builder out of the new homes market.

"It does mean that he cannot build for sale any more because banks and building societies won't lend on houses without the NHBC cover." Clare Ellis-Jones of the NHBC explains that, from this month, the 300-strong full-time surveying team that the council uses to check out building sites is going to be backed up by an audit team, a NHBC "hit squad" of experts who will check out the workmanship of builders on a number of sites.

If there are problems, the council can warn the builders, can raise the insurance premiums he pays to provide the NHBC's 10-year warranty on new homes and, in the last resort, strike him off the lists.

The audit teams are part of a drive to improve further the standards of house building and are intended to speed the process of rectifying faults. "It is one of a number of moves to tighten up our disciplinary measures," says Mrs Ellis-Jones. "We would expect to reduce the time taken to deal with defects to under six weeks at the most."

In its half century the NHBC, which now has 23,000 builder members, 810,000 of whom are active at any one time, has chased up areas of poor insurance experience with new building standards.

When claims for foundation failure started to pour in some years ago, the NHBC imposed tougher specifications on preparation work. When there was a spate of ground floor cracking, the Council was able to persuade builders to stop using shale infills in groundings. Leaking flat roofs or poor windows show up in the claims statistics and can be dealt with by altering construction specifications for member builders.

Builder members pay between one-quarter and one-half of 1 per cent of the sale price of a property to get the NHBC's 10-year guarantee and the builders have to bear the costs of any remedial works to the first three of those years. When a claim comes in and the builder is no longer around to settle the problem, the NHBC stands in his place, and around 10 per cent of last year's £10m claim settlements were to homeowners whose builders had ceased to trade within their three-year period of responsibility.

One pilot scheme that should have considerable appeal to home lenders and buyers alike is an extension of the warranty insurance to conversions. At the moment the cover is only for six years, with the building company responsible for any necessary works within the first two years. But the scheme is voluntary. It is unlikely to be adopted nationally unless lenders insist on such cover.

J.B.

Wheezes to beat rival buyers

Gazumping is back in fashion as more buyers seek fewer houses, but you can win within the rules, says Holly Smith.

HOW CAN you win the race to buy an attractive piece of property in the south of England? Cheat.

Although some segments of the market have softened, it's still a seller's market for properties that are highly appealing and reasonably priced. For buyers who want to nail down one of these gems, going by the book will lead only to disappointment. Waiting for the details of your dream flat to arrive in the post will usually mean that some other buyer gets there first, because choice properties can go in a matter of hours.

One solution is to cross an estate agent's palm with silver. A buyer can retain an agent for a commission of up to 2 per cent, and have the agent search for a property through his private contacts and other estate agencies. (If the ideal residence turns up on the books of the company the negotiator works for, there is no charge to the buyer because the seller is paying the firm a commission. Property-finding companies and relocation agencies can provide the same service.

Buyers who retain an agent are usually the ones who are paying more than £200,000 for a flat or £250,000 for a house, or ones who are too busy to look for themselves, says London estate agent Duncan E. Harding, manager of Anscombe & Ringland's Notting Hill Gate branch.

Other agents say that the people who request this service are often investment buyers—those who are buying properties to modernise or to rent rather than to live in.

For those who don't like the idea of laying out extra money, there are other techiques for getting a jump on competing buyers.

First cover your territory, when you have decided which area you want to live in, contact every estate agency in that neighbourhood. That way you're less likely to miss your ideal property just because no one told you about it.

Second, know your negotiator. Find out his name when you first go to the office or phone up, and try to work with the same one every time. That way, agents say, they get an idea of what properties will match your taste, and you will be more than just a name on an index card.

Frequent contact also reminds the negotiator that you're a serious buyer. Phone him as soon as you've received details of a property that looks promising. Even if you haven't had any good details, phone him up every few days and drop by occasionally to check on what has come on the market.

Third, make yourself an attractive buyer. Since agents work on commission, they like working with a buyer who has his finances organised and can move quickly, thus ensuring that the commission cheque will come in faster. Have your own property on the market if you must sell it before you buy a new one, and if you need a mortgage, have your application rolling so you can put the financing into gear as soon as you have found the house.

It is not always the person who is willing to pay the most for a property who gets it. Sometimes it's the person who is able to close the deal fastest.

Fourth, personal connections can be of help. Dawn Cunningham-Reed, a negotiator with John D. Wood in Battersea, says that buyers' requirements are put into the company's computer system, and they are notified by mail when the right kind of property comes along. However, she keeps a card file of about 30 prospective buyers who would be notified by phone as soon as an especially desirable property makes an appearance. These are people who have bought or sold through her before, or who have been referred to her by a friend. For those people, she said: "I will try a little bit harder."

Those who don't want to bother with being the first on the doorstep can often still win the prize. They can mow down the early birds with the familiar if unpopular technique of gazumping—slapping more money down to burn off the competition.

Tony Clark, general secretary of the National Association of Estate Agents, says there are plenty of people out there using this highly effective technique. "I'm getting more complaints about it," he says. "Gazumping is coming back."

London Property

UK treads dangerously

BRITISH motorists enjoy the dubious distinction of running on the worst tyres in Western Europe. There is, let me hasten to say, nothing wrong with the tyres at the start of their lives. British-made tyres are as good as any. The trouble is that we keep them in service too long for safety—and the law encourages us to do so.

Many countries—Austria, Japan, Switzerland and most US states among them—insist on tyres having at least 1.6 mm of tread pattern across the entire width. Others (most EEC countries included) say there must be at least 1 mm all the way across the tyres. Our law demands only 1 mm minimum across to define "visible pattern" on the remainder. And trying to define "visible pattern" is so difficult that the police are reluctant to prosecute unless a tyre is grossly deficient.

This has been the law for the past two years. All one can say in its favour is that it used to be worse. The previous regulations allowed one quarter of the tyre's tread to be completely bald, providing there was at least 1 mm tread pattern depth on the remainder.

The Government said it would monitor the situation before making up its mind what to do next and decided to make no change. Britain thus lags behind every other country in the industrialised world in tyre safety laws.

One result is that container loads of tyres that have been thrown away by German motorists are being imported into Britain. They are sold as second-hand tyres and are quite legal to use here.

Though officially worn out in Germany, they are safer than some of the tyres which British motorists persist on keeping in service. More than 60 per cent of the tyres removed for replacement here are either worn beyond our wishy-washy tread depth regulations or have casing damage that also makes them illegal. And 23 per cent of all MoT test failures last year were due to illegal tyres, a proportion that has steadily increased over the years.

It would be less alarming if Britain had low rainfall. A bald tyre grips perfectly well on a dry surface. But on one day in three our roads are wet.

A tyre with less than 2 mm tread pattern depth remaining is then seriously deficient in grip. One with 1 mm in the middle and "visible pattern only on the outer edges can be positively dangerous in heavy rain.

Why does the Government not bring our tyre safety regulations into line with those of our EEC partners? That is something the tyre industry and the independent road safety and consumer organisations would dearly like to know.

Cynics say that no government likes to court unpopularity by bringing in new laws that increase motoring costs unless the money ends up in the Exchequer. There may be truth in this. For much the same reason, the 70 mph motorway speed limit remains unchanged despite the weight of informed opinion in favour of raising it to 80 mph. With good reason, politicians fear the outcry that would come from noisy, well-organised lobbies, some of them with no obvious connection with motorway travel.

Naturally, the tyre industry is advocating a change in the tread pattern depth regulations because it would boost business but one cannot dismiss it as purely self-interest. In fact, it would probably not sell all that many new tyres after an initial rush by motorists to comply. There was a huge bonanza when the first meaningful tyre laws were introduced in 1968 but it fizzled out within months. The industry reckons the financial burden of bringing our tyre laws into line with those of other EEC countries would be no more than 60p per car per year.

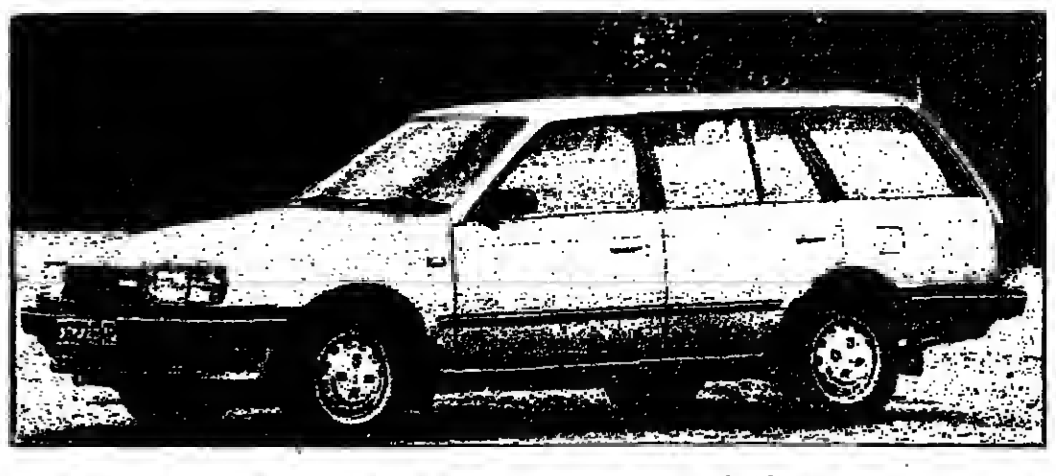
How many collisions and casualities would be avoided by toughening the tyre regulations is hard to say. So many factors are involved in wet weather accidents besides tyre condition. But there can be no argument that drivers of cars with good tyres are more likely to steer or brake their way out of trouble than those whose tyres do not grip properly on roads running with rainwater. Raising the safety threshold for 60p per year would look to most of us like money well spent.

Tyres are undeniably costly though in pence-per-mile terms a modern steel belted radial, properly used, is a bargain. A monthly pressure check is prudent. It is also sensible not to bash tyres into kerbs when parking. Doing so could make them blow out months or years later. Steering knocked out of alignment by careless parking will make a tyre wear rapidly and waste petrol besides.

Surplus production capacity in the European tyre industry and a flood of imports ensures cut-throat competition in tyre selling. Shopping around can save pounds and there is no need to fit the finest tyres to, say, a family's second car that covers a low annual mileage.

Among the best buys for this kind of motoring are two "own label" brands—the Korean-made National, sold by Britain's biggest retail chain, National Tyre Service, and the Centaur tyre, produced for Kwik-Fit outlets by Firestone on mainland Europe. NTS, with over 400 branches, has enough faith in its National tyres to guarantee prompt replacement should a fault occur. They cost about one-third less than you would pay for a top brand with a household name.

Stuart Marshall



Although hatchback bodywork is now almost universal in the small-to-medium family-car class, estates still account for about 10 per cent of sales. Japanese makers have often been rather tardy in introducing estate car versions of front-wheel-driven hatchbacks, preferring to leave face-lifted and mechanically updated estates with rear-wheel drive. The reason is that an estate is a fairly lowly vehicle in Japan, used for trade rather than recreation and bought just to carry heavy loads and make no fuss about it.

But Mazda has gone against the trend and introduced an attractive and versatile 323 estate, mechanically identical to the new 323 hatchback that came to Britain last autumn. It is a roomy four- and occasional five-seater, with a 60/40 folding rear-seat backrest that, when down, almost doubles carrying capacity. The load floor is flat and only 2ft off the ground which makes it easy to hump heavy things on board. If the back seat is being used, a blind may be pulled back to the tailgate, protecting the load space contents from strong sunlight or prying eyes.

The 1.5 litre overhead camshaft engine is a smooth and willing performer. It is economical, too. Exploiting the Mazda's liking for a steady 80-85 mph cruising gait on the motorway, I averaged 36 mpg for nearly 600 miles, though I was not carrying a heavy load.

The five-speed transmission was not, I thought, as smooth as one expects of Japanese cars but the ratios were well chosen. Third and fourth dealt with most traffic driving; fifth was for speeds of 40 mph and over.

Estate cars, with few exceptions, ride more firmly than their saloon equivalents. This was the case with the Mazda but it was comfortable enough and handled very well on winding roads, cornering stably and feeling reassuringly safe.

Even when parking the steering is light. The seats are well shaped and the instruments ideally situated for easy visibility—but why must the mileometer and trip mileometer have orange figures? It makes them difficult to read in daylight, just about impossible at night.

Standard equipment includes a push-button fascia release for the tailgate, tilt steering wheel, a quality Clarion stereo radio/cassette player and central locking. The powerful heater-ventilator has a four-speed fan, the mirrors are interior adjustable and a chime reminds you that the headlamps are on should you pull out the ignition key. All of which makes the Mazda 323 estate look good value at £6,999 when a Ford Escort 1.4GL is listed at £7,564.

Memories of the medieval

TIRED of the Dordogne, its Range Rover traffic jams and cafes choked with the good folk of Carsbalton? Then head south, straight down the N20, to Quercy, that part of south-west France that still belongs to the French—and in early summer gives you the freedom of the winding roads of the Gramat Causse.

In particular, follow the signs for Cahors, nestling in a bend on the River Lot, crenellated, sleepy, the perfect example of the small market town, still centred not on its many ancient monuments but on its railway station.

Once Cahors was as important to France as the City of London is to England. The Templars and the Lombards have long since left, replaced by the commuter trains to Toulouse, the high summer influx of visitors, and a working population of about 20,000 resident Carducians.

Renaults now rumble over the fortified Valentré bridge which withstood the might of the invading medieval English army. Farmers sell black truffles and almonds in the square where the Lombards changed money. And as a centre for exploring the limestone uplands of the Causse, and the hidden river valleys of Quercy, Cahors is superb.

Valentré fortified bridge . . . French France

It still has hotels untouched by motel blight, with proper furniture in the bedrooms, and bathrooms that are a monument to the plumbers who conceived them, and the masons who hewed and polished their marble floors. Not for them the Novotels, Ibises, and concrete of technocratic France.

Take the D653, out through the back streets and along the Céle valley towards Figeac, and you will be right back in time. Though the castles and abbeys may have crumbled, little else has changed in this twisting 25 miles of limestone valley since the Hundred Years War. Much of it is even owned by the same family.

The Célé is Doone country, small in scale, secretive, full of rushing water, abandoned mills, neat fields, pocket handkerchief vineyards. with the southern addition of maize and tobacco. Where it widens out at Conduché onto larger, richer land, you can see just why the local Hebrard family have kept their hands on it for so many centuries.

But if they are the Doones of Quercy, they rule with a lighter hand than their ancestors who defended their valley from the crag-top castles and lookouts against all comers.

At Figeac, a busy little town with its church, fort and mint, which once strove to become as important as Cahors on the pilgrim road to Santiago de Compostella, the country changes as the N140 climbs north towards Rocamadour, that truly remarkable monument to the power of the Church in medieval Europe.

Rocamadour is a must though not when the narrow streets are crammed with tourists, and the car-parks full of Mercedes coaches from across the Rhine. If you cannot visit it out of season, try the early morning or at twilight, or better still book ahead at one of the small hotels which once housed the Benedictines who built and ruled this place.

The setting — there is no other word for it — is spectacular, rivalling Monserrat in its conception and bettering it by a very long way in its importance.

Perched 500 ft above the Alzou canyon on a sheer cliff, the village is carved from the rock which supports the churches, topped by the inevitable castle, for so long one of the premier pilgrimage spots of Western Europe. The guide books do it no justice. To get the feel of the place, you must climb the 216 steps up to the minute square with its seven churches, straight back into the 13th century.

Henry Plantagenet made the trip to Our Lady of Rocamadour by horse. Thousands of penitents and the Cathar heretics of Arriège did it differently: in chains and on their knees, up those same steps. It was a powerful but a cruel place. Quite amazingly, it is all still there.

When you swing back down the N20 to Cahors and catch sight of the battlements and three towers of the Valentré bridge, it all reels. You need at least a bottle of that dark, black Cahors wine, its cork sealed in green wax, to return you back to the 20th century.

For travellers returning to the UK via Toulouse, there is a further treat available. Ignore the temptations of the fast trip along the péage, or the parallel N route, and use the D roads to Puy l'Eveque, Tournon, and Montaigu, through the lower, rolling country and woodlands to Moissac.

A rough, down-at-heel place of abbatoirs, warehouses, and dark alleys, there is little to recommend it at first sight. Even less if you are looking for that last meal in France. But it is worth going hungry for a sight of its church, and the most ornate, complex, and even frightening stone porch in the country.

The Moissac porch is a three-dimensional representation of the fears, hopes and aspirations of those same pilgrims who made the journey to Rocamadour. You won't find busts of the local clergy on it, or an allegory to the happiness of salvation. You will find the grotesque, the dreadful warnings through tortured and raddled figures of what happens if you don't follow the rules.

Every sin is graphically portrayed, salaciously detailed. And not one of them goes unpunished by fire, serpents, toads, lizards, or decay. Had you tried to erect such a portico in the 19th century there would have been an outcry.

After Moissac and the bridge across the Tarn, cut off to the peace of the forest at Beaumont, the still of the afternoon and the alfresco delights of that last bottle of Cahors, some bread, maybe some hard brébis cheese. You'll need it before you can face the metropolitan hubbub of greater Toulouse and the airport check-in.

Stop, if you have time, in Toulouse—not for its sights, but for its sausages. You should bring those, some truffles and at least a case of wine back with you to freshen the memory of Cahors when the nights draw in.

Roger Beard

On the write lines

LADY LONGFORD . . . now an autobiography

ON HER 60th birthday in August 1966, one of Elizabeth Longford's four sons made a speech referring to the evening of her life. She corrected this at once. "Early afternoon."

Twenty years on it seems possible—just—to believe that it may soon be teatime. The woman whose writing career began only after she had brought up a family of eight children says she feels exactly the same as the young woman who came down from Lady Margaret Hall with a second in Greats (she got 48 letters of condolence on missing a first), lectured for the Workers' Educational Association, and married Frank Packenham, now the Earl of Longford, a week after Labour's devastating defeat in the general election of 1931.

Her 13 books include biographies of Queen Victoria, Wellington, Byron, the Queen Mother and the Queen. She will shortly publish a volume of autobiography. She loves research. "I hate to bring it to an end and start writing. Frank is more efficient. He always wants to get on with the writing quickly."

Talking about what she calls her "inclination rather than vocation for biography," Lady Longford is wary of the danger of being enclosed in one's subject. I hope I'm scholarly, but I don't think I'm a scholar. I would like to be a great scholar but you need great accuracy of mind. I may jump to felicitous conclusions, but I may make mistakes, too."

In a private family distinguished not merely for large numbers but also for public creativity, a family in which almost every member writes well, it seems not to occur to Lady Longford, discussing women's education and prospects for fulfilling their ambitions, that she alone of that family has not been able to go very far in realising "women's determination to have the vocation they felt they were born for."

She stood twice for Parliament in the Labour interest, and relinquished her hopes in the interests of caring for her husband and children.

"I loved being a young wife and mother. Writing the autobiography, it was the same technique as writing biography—lying in the bath thinking about the character, usually in the context of an event or a choice they made, and wondering whether they could have done differently. I found the same excitement in understanding something of my own life—and then this huge nostalgia."

But her sense of attachment and commitment to the Labour Party is undiminished. Of those friends who have died whom she misses most she mentions first her mother, then two close friends at Oxford who died young, then Hugh Gaitskell. "If he were alive the Labour Party would be different and better," she says.

In conversation she is neither donnish nor self-consciously precise, but simply careful in choosing the right words in the right order to transmit an honest response. She looks gently across three generations in regret for ideals apparently turned sour—a reaction, she thinks, against the pent-up idealism of the decade 1935-45 which faded against a bleak challenge of self-government have proved unfounded. "It was always said, too, that the Irish were incapable of governing themselves. Utter rubbish." She remains outspokenly critical that, as a nation, our behaviour to disadvantaged groups in Britain seems no better than it was.

"No, I am not satisfied with what women have got. Women are not valued materiolistic-backdrop of loss of Empire.

She is pleased that her own generation's gloomy prognostication that British colonies would be unable to rise to the ally. They are not yet taken for granted. There is embarrassment now about women's claims because there are so many minorities, and no black Labour MPs, for example. But did you know that I was expelled from the Labour Party for breaking the wartime truce not to talk about social improvement? It was over issuing a pamphlet about holidays with pay, raising the school leaving age. Transport House expelled me for it."

In an introduction written for the *festschrift* recently published to honour the historian C. V. (Veronica) Wedgwood, a friend and Oxford contemporary, Elizabeth Longford wrote: "No doubt it was disgraceful of Nero to fiddle while Rome burned. But we must all in a sense keep on fiddling if we are to survive." Her life has been divided into creative periods—unlike, say, Naomi Mitchison, another friend. "Naomi says that her creative urge worked all through her life. For me, the urge to write was there, but it happened by accident. I had all those children, and journalists were always asking me how I did it. I found I was happy writing. My children saw that, and wanted the same happiness."

"The records I kept on my children—people in whom I am infinitely interested—are minor biographies in a way. I think perhaps that started me off. With Victoria and Wellington I felt I had rather got into pillars of state for my personalities—and then Byron seemed to me almost timeless. He seems to fit into the present age, an untrammelled spirit, something like a Spanish Civil War poet."

Lady Longford is very pleased that a grand-daughter, Rebecca Fraser, is writing a book on the Brontës. Along with another grand-daughter's biography of Emma Hamilton, the first fruits of a third generation of biographers are beginning to appear.

"Music runs in families, and tennis, and writing, too; perhaps. If you turn out to be good at it, that gives you confidence." She laughs happily over Bernard Shaw who, when asked how he began to write, replied that he began by placing his bottom on a chair. "Lots of little bottoms on lots of little chairs," Lady Longford said.

Gay Firth

A little Kiwi this way comes

Gardening

A LITTLE New Zealander is slowly creeping over the drive with the inexorability of a triffid. It has long since abandoned the border from which it started its journey and now appears to derive all its sustenance from rain, the moisture that condenses at night on the cold surface of the concrete and the detritus which it has captured beneath its close carpet of leaves.

This engaging little plant is the most ornamental of the New Zealand burrs, so called because the little globular flower heads are covered in bristles like a burr. In this species, botanically known as Acaena microphylla, they are rhubarb red and contrast very prettily with the bronzy green leaves. Looked at superficially, each flower head seems to be a solid green ball but examine it more closely with a lens and it proves to be a tightly packed posy of four petalled flowers, a really exquisite piece of work. The leaves are as dainty as the flowers, feather shaped with numerous notched leaflets, like those of some roses, a family to which this little carpeter is related.

There are other acaenas, all much too lowly and unspectacular to attract the slightest publicity, but I am fond of them and particularly of this one. I like the look of it and I like its ability to thrive where few other plants would survive.

There are other small plants that have a similar ability to grow in seemingly impossible places. One such is Sedum acre, usually sold as a rock plant but an uncomfortable companion for most other kinds since it will roll over them all, covering them in a dense mat of rather fleshy green leaves and in no time smothering all but the sturdiest. On a path it can be a different matter for starvation will curb its exuberance a little and it is then not too difficult to drag out when necessary provided it has not got itself entangled with more precious things.

Sedum, of course, is the stonecrop family, a popular name which tells its own story and there are a lot of other kinds which will grow with a minimum of soil. Sedum acre, known as the wall pepper because of the hot taste of its tiny yet fleshy leaves, covers dry walls with golden bloom virtually wherever dry walls are built for field division in Britain.

Sedum anglicum, with white and pink flowers, clings to rocks all around our coast and S. album, the white stonecrop, is happy on either rocks or walls. My own favourites are S. hispanicum and S. lydium both with tiny leaves, grey in the first-named, green becoming bronze-red in autumn in the second. Both these are rather fragile plants requiring just a little coaxing and certainly protection from rough monsters such as S. spurium.

Then there is the Kenilworth Ivy which will even thrive on mortared walls. It seems too fragile to survive there, yet it hangs down long trails of slender stems with little lobed leaves and small lilac and yellow flowers pouched like those of a toadflax. Indeed its alternative popular name is ivy-leaved toadflax and it was formerly classified as a linaria, the botanical name of the toadflax family, but is now correctly known as Cymbalaria muralis, a pretty name for a pretty plant.

Because it is so common, few nurserymen stock Kenilworth Ivy and anyone who wants it is likely to have to collect their own plants in the wild, not a difficult thing to do. What a few rock plant specialists may offer, more likely under the old name linaria than the new one cymbalaria, are C. aequitriloba and C. pallida, the first a much denser scrambler with pinkish-purple flowers, the second a creeping plant with lavender flowers for damp soils and cool, partially shaded places.

What has rather surprised me is an alpine, or "moss," phlox which has spread from a rock bank on which it was originally planted and is progressing ever further over the flag stones in front. It travels side by side with Sedum spurium which has not yet succeeded in subduing it. It has formed a dense mat of roots on the paving slabs and seems to be living off them like the New Zealand burr with which I started my story.

All I can say with certainty about the identity of this plant is that it is a rose-pink form of Phlox subulata. If it ever had a varietal name it has been forgotten long ago and there are probably scores of varieties that answer this description for subulata has been a prolific parent not always keeping its genes entirely pure. Maybe it is hybrid vigour which makes this one so tough.

Arthur Hellyer

Scotland's Kew-jumper

Robin Lane Fox finds Edinburgh's botanic gardens sadly ignored

LIKE QUITE a few people last week, I succeded in beating a personal best in Edinburgh. Perhaps you consider one hour and 58 minutes to be poor form for 10,000 metres; if so, try to equal it in a car without punching the windscreen. I nearly broke mine while crawling through the streets of Scotland's capital city and at the same time, I claim, the Edinburgh Botanic Gardens' all-comers record.

Admittedly, it was the ideal moment to make a slow run. The Queen was holding her annual Garden Party, closing one-half of the city: a few members of the Commonwealth were breaking their records in the other half. It is not often that you ask a policeman the way to the Botanic Gardens in Inverleith and are regarded as a crackpot.

The policeman was wrong. Not many gardens are worth such a slow crawl, with the knowledge that the return journey will probably be worse. Would you really want to visit Kew after two hours in a traffic jam? Edinburgh is not just Kew further north. It is one of the seven wonders of the gardening world. It has superb greenhouses; its waterside planting is bold and artistic: it is superbly kept: and has one of the greatest alpine gardens in the world. It is open every day until sunset or thereabouts. It costs nothing to go in, yet I am astonished how many good gardeners and visitors to Edinburgh still pass it by.

There are two ways of visiting the Edinburgh Botanic Gardens. You can walk round the entire place in a strenuous day, admiring the general effect and retaining a broad impression of what is most showy. That sort of visit is exhausting, but you can tell yourself that it has been good exercise. The moment you stop to note particulars this method becomes impossible. I have spoiled several visits to the garden by trying to look at too many individual plants on one day.

Ideally, the Edinburgh garden needs at least three visits. One visit would cover the elegant modern greenhouses, their cacti orchids, creepers and water-plants, and allow you to make a start on the hardy shrubs and give your spectacles a chance to de-mist. Another would give you a feel for the trees and larger shrubs, though you need a second visit for the unrivalled range of rhododendron species if they are in full flower. Then, you need a day for the huge herbacious border, the more recent garden of silver and grey plants, the waterside garden, the peat-bed and the instructive displays of annuals and evergreen hedging.

My recent visit was essentially to the rock-garden, the alpines, with some side glances at hardy shrubs and herbacious plants. It has left me with sheafs of notes, a fondness for pink-flowered Lavender Jean Davis and a reluctance to believe that rock-gardens are dull places in late summer. As the autumn gentians open, Edinburgh's will retain its interest into early October.

In general, I was reminded how many varieties of well-known plants flourish in big botanical gardens, but seldom appear on sale to the public. Last week, I counted a dozen types of campanula, which would be entrancing in garden walls or borders; where can you buy quite easy plants like campanula sarmatica or punctata, let alone the rare varieties from Korea? There are also plants many gardeners grow, but in better colours and forms. At Edinburgh, the lovely Venus's Fishing Rod or Dierama is not only the usual rose-pink but a graceful shade of lavender and a stronger shell-pink than anything you find from a nursery.

Of course, their other charm is that they house plants which few can ever grow so well to such a size. I envy Edinburgh its huge blue poppies from the Himalayas and their many Oriental gentians, but especially, this week, I covet a white-flowered shrub called Clethra delavayi. "Surely merits greater attention," says my nearest work of reference, and I would agree, having seen its shape and scented spikes of cup-shaped white flowers.

Midge bites in the Celtic twilight

ONE theme of this year's Edinburgh Festival is the influence of Ossian. The Scottish National Orchestra plays Mendelssohn's ever popular "Fingal's Cave" on August 17 as well as lesser-known works by Leseur and Mehul. Three days earlier you can hear some of Schubert's lieder which were inspired by the same source. The main opera event, Weber's "Oberon," also has an Ossianic connection.

James Macpherson first published the "Fragments of Poetry" which purported to be translated from the Gaelic in 1760. The following year came "Fingal," an epic poem by Ossian in six books and in 1763 an even longer work by "Temora." The translator had collected them, it was said, in the course of extensive travels round the Scottish Highlands and Islands. His efforts had saved for posterity an ancient oral folk tradition which went back to the struggles of the Caledonians against the Romans but which was already almost extinct.

Macpherson's Ossian was an immediate best seller. The poems were reprinted in tens of thousands over the next 50 years and beyond. You can still find copies of the early editions, often sumptuously bound and lavishly illustrated as befit the works of a national epic poet.

Macpherson was the son of a poor Gaelic-speaking Inverness-shire farmer who had undergone an extensive education at Aberdeen and Edinburgh universities. At six foot three, with red hair, he even looked like a Celtic giant. Ossian made him rich and famous. In 1780 he became a Member of Parliament, and he was able to buy a landed estate in his native county.

From the beginning there were doubts. The speed with which Macpherson had collected and edited his materials surprised people familiar with the frustrations of this kind of research. There were no manuscripts or transcripts of the alleged Gaelic originals, and Macpherson concealed the identity of his sources with the tenacity of a newspaper editor. Highland gentlemen do not deign to answer people who impugn their good faith; and questioners were angrily shooed away with a parade of affronted honour and threats of duels.

There was just enough genuine material in Macpherson's versions to sustain the wish to believe. A few ballads and songs associated with the name of Ossian undoubtedly survived in the Highlands as many good witnesses could testify. Adam Smith was among the believers, convinced after talking to a piper in the Argyll Militia. David Hume, another contemporary who could usually tell a good argument from a bad, was also taken in, at any rate at first.

Dr Johnson was among the sceptics. Asked whether he thought any man of the modern age could have written such poems, he replied: "Yes, Sir, many men, many women, and many children." But oral epic cannot be judged by the standards of written literature. Ossian's poems might be unstructured, repetitious, muddled, anachronistic, and dull, but were these qualities proof of faking or proof of authenticity?

Was Ossian superior to Homer? It was a favourite question in debating societies and examination halls for many years. Among the distinguished list of those who preferred Ossian was Napoleon Bonaparte. His copy still survives. It was with him on the early expedition to Egypt and he was reading it for the umpteenth time on his voyage to St Helena. The book, heavily annotated with exclamation marks, is covered in dirty finger prints and gives off an odour of camphor and snuff. As booksellers say, a reading copy.

Napoleon's marshals shared the enthusiasm. If you think you have seen all the most interesting buildings in central Paris, it is worth paying a visit to the Chateau of Malmaison outside. (Metro to La Defensa where you can find the 158A bus without difficulty.) One room is designed like the interior of a military tent, and his appalling triumphal gold eagles are everywhere, even in the bedrooms. The salon is dominated by two misty greeny Ossianic pictures, one of which shows the Bard himself surrounded by nubile maidens welcoming the heroes of Napoleon's battles into the paradise of Valhalla.

Nothing could stop an idea whose time had come. Many people were sick and tired of the admiration lavished on the Greek and Roman classics, which they rightly suspected was a device to keep upstarts in their place. They longed for Ossian to be genuine. And Fingal was more attractive than the heroes of the Iliad and Odyssey. Violent and primitive but also sentimental and kind to women.

If Ossian had not existed it would have been necessary to invent him. To the age of romanticism he fulfilled a deeply-felt need. But the more research that is devoted to trying to rehabilitate James Macpherson, the more bogus he becomes.

William St Clair

Collecting

The first Siamese twins

SOME collections seem to form themselves unbidden, at least for those endowed for better or worse with the magpie instinct of the compulsive collector. Over the years I find I have been throwing into a box any scrap of ephemeral literature or imagery relating to those marvels and monsters of nature which held a peculiar fascination for the British public of the eighteenth and nineteenth centuries.

Now it has become a collection—prints, pamphlets, broadsides and posters advertising General Tom Thumb, Daniel Lambert, the greatest of fat men, the Fychow Giant, Claude Seurat, the skeleton man, M'Kenzie's Performing Canaries, the lady who lived on air and flowers, Miss Beffin, the armless miniature painter, and scores of others.

The crowds gawped, the objects of their interest derived financial compensation for their misfortunes, and in time Phineas T. Barnum was to achieve fame and fortune by astute showmanship in the field. In those less sensitive days no one felt bad about it.

Many of the show-folk seem to have been pleasant, resigned to and even proud of their situation. The most endearing of them all were Eng and Chang, the Siamese Twins, who permanently bequeathed their name to the condition of two living beings congenitally joined together, and who were born 175 years ago this month.

They were the children of a fisherman in a village called Maklong. Their father died when they were small, and they were brought up by their mother. Although their bodies were joined so closely that they were normally obliged to stand at an angle to each other, they were remarkably agile; they ran and jumped, and their skill at swimming was famous in the locality.

An enterprising Scottish merchant named Hunter saw them swimming one day and promptly rented them from their mother to take them off to the United States. En route he called at London, where the boys were first put on exhibition in the autumn of 1829 and became the rage of the season.

They were well-built and attractive, respectively 5ft 1in and 5ft 2ins tall. "Deviations from the usual forms of nature," wrote the critic of The Mirror, "are almost universally offensive: but in this case neither the personal appearance of the boys, nor the explanation of the phenomenon by which they are united, is calculated to raise a single unpleasant emotion."

Ladies of the highest rank perused the ligature which joined the twins without the least distaste. They were linked by a short band about as thick as a wrist, which sprouted quite naturally from the lower part of their breasts. It held them so close that their shoulders got in each other's way unless they stood—as they mostly did—with their arms around each other's shoulders or waist.

Eng and Chang . . . rage of the season in 1829

Leading surgeons speculated on the nature of the band, and surmised that through it the stomachs of the twins might be joined. If it was touched in the middle, both boys could feel it; but an inch from the centre, only the boy at that side was sensitive to it. There were long debates on the advisability of a separation; but Chang and Eng invariably cried when the subject was raised.

In their youth at least they appeared to share the same thoughts and feelings, but they never addressed one another, although they had a lively interest in everything they saw during tours of the United States. They played draughts with enthusiasm, but said it was no fun playing together. They shared the same illnesses, ate more or less the same food, and fell asleep and woke in unison.

Although it had been promised that they should return to Siam, they never saw their home again. Instead, when they had earned enough from their exhibitions, they settled in North Carolina, where they married two sisters and raised families of their own. They lost their property and money in the Civil War, and in 1869 they were obliged to return to Europe and put themselves on exhibition again, although their appearance did not cause the same excitement that it had done 30 years before. The taste for freaks and wonders had waned.

By this time, marked differences had begun to show in their personalities and tastes. Eng remained placid and good-natured, but Chang became irritable and ill-natured and began to drink heavily. His intoxication, it was observed, had no effect on his brother.

Inevitably, there were quarrels and even fights, and on one occasion the police were brought in. The question of their division was again raised; and again the surgeons advised against it. Finally, resigned to permanent companionship, Chang and Eng found things went better if their families lived apart; and in later life they spent half of each week in one house and half in the other.

When they died, in 1874, they were at Chang's house. Chang had been complaining of feeling ill for several weeks. They went to bed early, but during the night Chang insisted on sitting up, to the annoyance of poor Eng, who complained he was tired. Eventually they lay down, and went into a deep sleep. In the early morning one of Eng's sons came into the room and found his uncle dead and his father still sleeping.

The noise woke Eng, and seeing what had happened he went into violent nervous paroxysms. Before a physician could be brought, both Siamese Twins were dead.

Janet Marsh

Drink to me only with thine eaux...

Forswear thy foolish ways: if you are fed up with hangovers, possess driving ambitions, want a healthier lifestyle or are bored with Latour... there are virtuous soft options

Lucia van der Post

HOW TO SPEND IT

Trevor Humphries

THE original non-alcoholic drink, the originally *only* drink, was of course, water and given what most primitive water probably tasted like, it's no wonder that it didn't take people long to discover that there were some rather more exciting alternatives — ale, cider, saki and all the other fermented brews that ancient peoples learned to concoct.

It took much longer to find alternatives to water that didn't give hangovers—tea and coffee didn't arrive in Europe until the middle of the 17th century and then they were mainly a rich man's indulgence. It took another century before a Swiss, a certain Joseph Schweppe, launched the first soft drink onto an unsuspecting world.

Since then things have come full circle and water has once again been restored to a place of great importance — today it is marketed, packaged and sold like a central prop of life.

But though the boom in mineral waters goes on, transforming directors' dining-rooms and restaurant tables the length and breadth of the land, the search is also on for a soft drink that offers more excitement than water. There is a place, the marketing men believe, for a drink that seems like a proper drink, that has a taste and flavour of its own, but no alcohol. This is the drink women will call for when they're pregnant or cutting down on calories, that men will ask for when they are about to go to work, to drive or to play some kind of sport.

How big the market is nobody quite knows. The beer companies, which are looking at it all with "cautious optimism" say that at the moment the low-alcohol beer market is worth some £16m, which in the light of the £76bn market for the "proper" stuff, is small beer indeed.

Leisure Drinks is a Derbyshire company which was first into the alcohol-free wine market when it started importing Jung's alcohol-free wines from Germany in 1971. It seems to have an almost evangelical approach to the matter, quoting alarming facts about the harm that drink does (it loses more working days than strikes) and even selling non-alcoholic communion wine (zero rated VAT).

Leisure Drinks is firmly convinced the market is set to take-off—not vertically, but in a gentle curve.

One major problem for those wanting alcohol-free wines is that they are so difficult to find. The traditional wine-buyer for supermarkets and off-licences is, of course, a wine buff who is singularly unimpressed with the taste and flavour—there is no doubt that removing the alcohol upsets the balance of the drink. All his experience and expertise is geared to selecting as fine a wine for a price as possible, and the very idea of an alcohol-free wine goes deeply against the grain.

However, progress is being made and today it isn't just the health food shops that sell them. Safeway, Sainsbury, Budgen, Victoria Wine Stores, Peter Dominic and Augustus Barnett are just some of the chains that have a niche for a selection of alcohol-free drinks.

Those looking for interesting ways of lowering their alcoholic intake (if they are unseduced by the charms of plain water) have several options.

BEERS

Low-alcohol beers have so far made the biggest impact. Canada Dry Rawlings launched Barbican way back in 1980 and it is still the biggest seller. Leisure Drinks sells Panther, Swan has Swan Light, there is St Christopher and Birrell, Guinness is busy test-marketing Kaliber in East Anglia and Scotland and seems certain to go nation-wide later in the year and Sainsbury now has its own label version (always a sure sign that there must be a sizeable market ahead). All these have less than the 0.15 per cent alcohol, which is the cut-off point for selling without a licence, and most have much less. It's worth pointing out that they also have far fewer calories than straightforward lagers.

Here in the office we tested five of the low-alcohol brands against two full-strength lagers (Heineken and Carlsberg). None of the tasters was an ardent lager fan but all drink it from time to time. None was sure which were full-strength versions and which were not.

Kaliber (£1.49 for a pack of four bottles) was voted very drinkable by all the tasters except for one who guessed it wasn't the real thing. One taster thought it "so similar to the real taste that even if it isn't real I could delude myself that it was."

Swan Light (58p per 375 mls can) aroused no strong feelings, though one panel member detected that it was a low-alcohol version. Yet another panel member, a New Zealander not given to fulsome praise, declared it to be "real—a good Aussie beer."

Sainsbury's low-alcohol own label (£1.35 for a six-bottle pack) was not liked at all —"Whatever it isn't, I don't like it," seemed to sum it up.

Panther (39p per 330 millilitre) drew the worst comments of all—"If this is the real stuff whoever made it should be ashamed of themselves," "I'm looking forward to a cup of coffee," and "It makes all the rest taste very respectable." Every summit, however, needs a dissenter and we had one—a teetotal member of the panel declared it "Wonderful—I will certainly buy it."

Barbican (40p per 440 millilitres) drew more ribald commentary—"Could well be real but it's also horrible." "It reminds me of why I stopped drinking lager." But another dissenter found it tasted like an "authentic brew."

If the makers of the low-alcohol brews are reeling by now, let me comfort them with the comments on Carlsberg and Heineken's full-strength lagers. Carlsberg was declared "very doubtful" by one taster, while another said "I'd drink it whether it's real or not." As for Heineken, "definitely not alcoholic," said our New Zealander. "It has a metallic taste like all the low-alcohol ones." "I don't like it, whatever it is," said another. Anyone for a job in brewing?

If the reactions to the beers were mixed, those to the wines were not. Almost nobody liked them at all. The problem seemed to be that most of the tasters would keep comparing them to a rich claret or a crisp muscadet. They will never, ever, be any competition to a fine wine. But if, for one reason or another, you want to stay off the booze are they a better alternative than mineral water? In my view, yes, some of them would be a lot more fun to drink.

WINES

Before I report on the individual wines tasted, it seems a good moment to put in a word about labelling. *Dealcoholised* can only be applied to an alcoholic drink from which the alcohol has been extracted and which has an alcoholic strength by volume of not more than 0.5 per cent. *Alcohol-free* is applied to drinks which have an alcoholic strength by volume of not more than 0.05 per cent.

So to the wines:

Schloss Boosenburg (Extra Dry Mousseuse, £2.85 a bottle, all got up in its festive foil)—"An aggressive little lemonade," "Like cider, too sweet," "I'd rather drink tonic with ice and lemon," and "It's enough to drive me to drink," were the sort of comments that greeted its arrival. Personally, I liked the fizz and thought it seemed quite like a festive drink—as long as you weren't comparing it with a good sparkling wine.

Jung's Dry White alcohol free wine (£1.85 a bottle) was universally disliked — "vinegary," "Would make a good salad dressing," and "This beggar's all description." I, too, would never drink it again if I could help it—much too tart and acidy.

Masson Light Dealcoholised Wine (£1.75) was decreed "Very sweet," "Far too sugary, though better than the vinegary one."

Eisberg (£1.15) got a mixed reception—"Pass the bucket," "Not as good as Shloer apple juice," and "Rather like an artificial tasting muscadet." However, at least two of the tasters liked it—"This is nice—it's not much like wine but it has a good taste" while another liked its "taste of elderflower."

Jung's Medium Dry Rose (£1.85) was variously thought to taste like diluted Ribena or plum juice while one of the panel paid it the backhanded compliment of being "the least offensive of all."

Jung's Red (£1.85) came in for more backhanded compliments—"It's better than an Ethiopian claret I once had." (It's certainly better than a Dodoma red I once spat out in Serengeti).

Cidre Stassen Demi-Sec (£1.39), a low-alcohol cider, was declared unhesitatingly the best of all. Several of the panel, by now under the virtuous influence, had mellowed to the point where they actually felt they might buy it.

Palermo Vermouths (£2.85) both red and white, seemed to many of us the drinks most like their alcoholic versions. I would be hard to put to it in a blind tasting to recognise that it had no alcohol and I liked its rather bitter, completely unsweet taste.

The general verdicts seem to me to sound gloomier than they ought — I think people interested in the subject should make up their own minds.

Leisure Drinks (which imports and markets the Jung range, as well as Schloss Boosenburg and Cidre Stassen) will put together a mixed case which includes Schloss Boosenburg, the Stassen cider, four different Jung wines, a pastis, two vermouths, two Kas bitters, Taki-Taki Spicy Tomato Cocktail and Anne Jesper's book of non-alcoholic cocktail recipes for £29.99. If you are interested you can order by mail from Leisure Drinks, Castle Donington, Derby DE7 2NP.

Try the Pussyfoot way to sober drinking:

THE Pussyfoot is probably the best known of all "mocktails." Pussyfoot was a nickname first given to W. H. Johnson, an American prohibition lecturer, and then used for anyone who supported prohibition. There are many variations on the theme but the basic ingredients should include a mixture of citrus or pineapple juices made frothy by adding an egg yolk and whisking in the blender or else by adding soda or lemonade.

Here is the recipe given by Anne Jesper in her book of Non-Alcoholic Cocktails (£2.50 in many bookshops or by post from Leisure Drinks, Castle Donington, Derby): 1 part lemon juice; 1 part lime juice cordial; 1 part orange juice; 1 egg yolk. Blend with ice until frothy. Strain into a large wine glass. Garnish with orange, lime and lemon slices. Serve with a straw.

Over at the Dorchester, bar manager David Renton devised this drink to regale the staff on the Royal wedding day: ¾ fresh orange juice; ¼ fresh lemon juice; fresh strawberries; Fraise sirop. Put them all in the liquidiser with some crushed ice and blend.

LEMONADE

Ingredients: 1 lemon 1 teaspoon citric acid; ¾lb sugar; 1½ pints boiling water.

Method: Add the citric acid to the sugar and the lemon which you have previously chopped up, pour on the boiling water. Stir the mixture and leave it for 12 hours. Press all the juice out of the chopped lemon and then strain the lemonade and bottle it. Keep it in the fridge and it can then be drunk diluted with water to taste.

Aussies play safe

COULD Paul Hogan be mates with a man who drank low-alcohol beer? Getting stuck into a few "tinnies" and feeling sober at the end of it does not square with most perceptions of the Australian drinking culture.

Yet, in the shrinking Australian beer market, only the brands that are virtually alcohol-free have shown any real growth in the past few years. The reasons are both simple and complex.

The first is that Australia has some of the worst road casualty figures in the developed world. The carnage on the highway is breathtaking by European standards, and much of it is caused by drink-driving. High social tolerance of drunkenness added to long distances have made a fatal combination.

When the Perth-based Swan Brewery launched its Swan Light beer exactly three years ago, the advertising campaign focused around the flashing blue light of a police patrol car. "Have as many as you like," was the slogan and it reached a good many consciences.

The second factor is the continuing bout of national navel-gazing and the unhappiness many Australians now have with the "ocker" image. Britons laugh at Hogan but many middle-class Aussies cringe. One response was to reject traditional beeriness—although the climate still calls for plenty of liquid.

Swan Light was a particular project and baby of British-born businessman Alan Bond soon after he acquired the brewery. "The prior wisdom was that men are men and drink strong beer but Bondy is very acute at seeing the evolution of Australia," says Swan marketing head Tony Dale.

Low-alcohol beer now accounts for 2 per cent of the A$2bn-a-year market in Australia. Swan Light has 90 per cent of the sector and is sold nationally, unlike its rivals.

The secret is American technology that evaporates alcohol from fully-brewed beer. The taste stays but not the kick. Previous methods stopped the fermentation before full strength was reached and produced a noxious brew that Aussies had no hesitation in rejecting.

"It's a very important product for us and a very profitable one," says Dale. "The margin is a lot greater than on any of our other beers." Although the company won't talk figures, simple arithmetic shows a turnover on Light of around A$36m for Swan.

Inside the brewing industry it is an open secret that Melbourne rival Carlton and United (maker of Fosters) is about to launch its own product and attack the dominance of Swan Light but a huge new advertising campaign from Swan will counter it. "It's generally the middle-aged to older man who drinks Light, plus women," says Dale. "A more mature group of people who know where their responsibilities are. We are going for more of that group."

Certainly no stigma, or even the mildest smirk, attaches to opting for a Light in professional circles, although it might not be so well received in the blue-singlet bars of Sydney and Brisbane.

One British yachtsman, newly arrived for the America's Cup challenge, stocked his entire fridge with Swan Light just after getting to Perth and drank happily for several weeks, not knowing that it was "play beer" as the locals refer to it.

Exports are growing and go to south-east Asia, Canada, New Zealand and the UK. The most unlikely market, however, is Saudi Arabia. The beer goes through the production process twice and comes out totally free of alcohol.

Keith Wheatley

Spaghetti junctions

Nick Baker

THE ROLE of pasta as healthy fast food is now firmly established. The fact that pasta dishes usually work out pretty cheaply is another point in pasta's favour. It is a winning choice, surely, for holiday meals when teenage children home from school seem as permanently hungry as young birds with ever-gaping beaks, when the cook may feel disinclined to spend much time in the kitchen—and when the kitchen may, in any case, be a holiday cottage or villa boasting precious little equipment other than basic pots and pans.

For days when you are feeling ultra-lazy you might like to consider stocking up with a few jars of ready-prepared pasta sauces. Sacla's pesto sauce now seems to be on sale in supermarkets everywhere. The vongole sauce (clam and tomato) in Sharwood's Italian range is less widely distributed but well worth seeking out. The recipes that follow are for times when you have a little more—but not much more—energy for cooking.

PASTA VERDE

This is a dish of vegetables and pasta mixed together, not a pasta dish with vegetable sauce. It makes a fresh-tasting meatless main course, or it can be served as an accompaniment to meat or fish in lieu of the usual potatoes and green vegetables. In the latter case, this quantity is enough to serve 6-8.

About 10 oz broccoli; 3 oz mangetout peas; 4 oz very small courgettes; 1-2 garlic cloves; extra virgin olive oil; 12 oz rigatoni or pasta shells; freshly grated Parmesan cheese.

Separate the broccoli florets from the stalks. Chop the stalks finely, and chop the florets, but keep the two items separate.

Top and tail the mangetout and cut each one in half, obliquely. Top and tail the courgettes but do not peel them. Cut lengthways into quarters (or into one-eighths if the courgettes are not quite as small as one would wish) then cut across to make large "matchsticks" about ¾ in long.

Measure six tablespoons olive oil into a very large frying pan or paella pan. Add the very finely chopped or crushed garlic and place over low heat.

When the oil is warm and aromatic, add the chopped broccoli stalks and fry very gently for about four minutes. Stir in the prepared mangetout peas and courgettes and continue frying very gently for a further 2-3 minutes.

Add the chopped broccoli florets. Stir them in to mix them with the other ingredients and to film them with oil, and continue frying very gently for a few minutes until everything is hot and just cooked to your liking.

Tip the contents of the pan onto the freshly cooked and drained pasta. Add a good grinding of pepper and a little salt and toss quickly but thoroughly. Serve without delay, handing round a bowl of freshly grated Parmesan cheese so that everyone can help themselves.

SOLOMON'S SALAD
(serves 4)

This attractive salad can easily be varied to suit taste, budget and occasion. The ingredients listed here have a high ratio of fish to vegetables and pasta. You can use much less fish and much more pasta plus extra cucumber, tomatoes and herbs. Occasionally I use snippets of plain smoked salmon and a chopped hard-boiled egg instead of marinated kipper fillets.

½ lb kipper fillets; 1-2 shallots or a piece of Spanish onion; half a cucumber; ½ lb tomatoes; 1 avocado pear; a few spring onions; Dijon mustard; oil and lemon juice; parsley and chives; 6 oz pasta bows or spirals.

Skin the raw kippers and cut the flesh into matchstick strips. Scatter with wafer-thin slices of shallot or Spanish onion and pour on a dressing made with 1 tablespoon lemon juice, 2 teaspoons mustard and 4 tablespoons oil. Toss gently, cover and leave to marinate in a cool place for 24-48 hours, turning the mixture occasionally during this time.

Peel and seed the cucumber. Cut the flesh into short sticks. Sprinkle with a little salt and sugar and a teaspoon or so of lemon juice and leave for about 45 minutes to draw out some of the cucumber liquid.

Skin the tomatoes, core them and cut into chunks. Mix them with the finely chopped spring onions and 2 or 3 spoonfuls each chopped fresh parsley and chives plus a couple of spoonfuls of mustardy vinaigrette dressing.

Cook the pasta until al dente. Drain it well and moisten it with a tablespoon of vinaigrette. Set it aside to cool for about 20 minutes.

Meanwhile, peel and stone the avocado and cut the flesh into slivers. Add the avocado to the tomato mixture. Add the cucumber drained of its juices, and the marinated kippers minus their liquor. Toss gently and season to taste. Mix in the pasta immediately before serving.

TAGLIATELLE WITH SPINACH
(serves 2-3)

The pretty green-flecked sauce used here is wonderfully quick and easy to prepare. A good recipe for using a small handful of spinach from the garden, or a mixture of spinach and sorrel.

4 oz spinach (or mixed spinach and sorrel); 2 oz butter; 1 lemon; 8-9 oz tagliatelle; 2 tablespoons Parmesan cheese; salt and black pepper.

Thoroughly wash the leaves, shake them dry and reduce to fine green flecks in a food processor or blender.

Melt the butter and thoroughly stir in the chopped greenery so it glistens all over with fat. Add plenty of salt and pepper, two teaspoons lemon juice and a scant tablespoon of water. Stir again, cover the pan and leave the greenery to sweat over the lowest possible flame for a minute or two while you cook the pasta.

Check that the greenery is thoroughly hot and its juices have mingled with the butter. If the mixture looks dryish, moisten it with another spoonful of water—or a nugget of butter if you want a very rich dish.

Drain the cooked pasta. Add it to the greenery. Add the grated Parmesan and draw the pan away from the heat. Toss to mix everything well—every strand of pasta should be buttery and freckled with green—and serve straight away.

Philippa Davenport

Auk's aide remembers

DISASTROUS TWILIGHT: PERSONAL RECOLLECTIONS OF THE PARTITION OF INDIA BY MAJOR-GENERAL SHAHID HAMID, PRIVATE SECRETARY TO F-M SIR CLAUDE AUCHINLECK, 1946-47
Leo Cooper/Secker & Warburg, £17.50, 362 pages

SHAHID HAMID, then a young Lieutenant-Colonel in the Indian Army, served from March 1946 to August 1947 as secretary to Auchinleck, probably the greatest Commander-in-Chief in India since Kitchener. He soon won his Chief's confidence and, indeed, friendship. He was in close contact with Vice Regal Lodge and saw much of the political leaders, Hindu and Muslim, as well as visiting Labour Ministers. Hamid kept a regular diary and copies of some state papers on the understanding that he would publish nothing until after the Auk's death.

Disastrous Twilight consists mainly of extracts from that diary. It records the transfer of power as seen by a Muslim Indian Army officer in the eye of the storm. It falls into two parts.

In the first, Wavell is still Viceroy. He and the Auk work closely together. They see things in much the same light. They still hope to preserve a united India and a united Indian army after independence. Their principal adversaries are the Congress leaders and particularly Sir Stafford Cripps.

Auchinleck and Hamid are saddened at the recall of Wavell and concerned at the appointment of Mountbatten as his successor. They had seen something of Mountbatten in an earlier incarnation and while recognising his qualities doubted if he was the right man for the job.

Hamid's verdict on the two men gives the flavour of the book:

> Wavell, the strong silent man was a very shrewd judge of character . . . He played fair by all and was not prepared to become a partisan . . . This was disliked by the Congressmen who dubbed him as being pro [Muslim] League. He never received the understanding and support of the Labour Government . . . They were dictated to by "Father Cripps."

His view of Mountbatten is summed up thus:

> Mountbatten has an aristocratic bearing; more so than the King himself. Everything around him was glittering as if he was trying to impress everyone with his royal presence. It was not natural. Something was missing. In fact he looked arrogant and overconfident in spite of his elegance . . . To me it seems as if he lacks magnanimity and benevolence. I could be wrong.

The second phase deals with Mountbatten's Vice-Royalty.

The Labour Government's announcement that Britain would withdraw from the subcontinent by June 1948 makes partition inevitable. Jinnah only has to say "no" to have his way.

The Auk accepts this reality but is determined that partition should be brought about in an orderly fashion and with fairness to both sides. There is scarcely a year to delimit boundaries, divide the Army and allocate its assets: a daunting task.

Three Field-Marshals: Montgomery, Wavell, Auchinleck—one of the illustrations in "Disastrous Twilight"

Then Mountbatten drops a bombshell. The British withdrawal is to be brought forward from June 1948 to August 1947. Only 77 days remain to carry out the task of partition. The results are catastrophic. The morale of the security forces and the administration breaks down as each man abandons the Raj to secure his place in the new dispensation. Whole populations are on the move. Communal riots turn into massacres. More than a million people are butchered. The Indian Army can no longer be used to control the situation.

Yet Mountbatten will not allow the still substantive British units to intervene. He fears Congress might suspect him of trying to regain control of India for Britain.

On 23rd June, 1947 Hamid writes:

> The use of British troops for internal security duties was also discussed. Mountbatten has been pressurised from all quarters that they must be available. But he would rather see a bloodbath than make use of them. They (he and Montgomery, the CIGS) seem to think that the heavens would fall in if British troops are used. It is not a question of reimposition of British rule in India but of saving human lives. The British have always stood by the downtrodden and invariably taken up their cause and come to their assistance . . . But at the present moment massacres are taking place while British troops sit and watch. It is quite contrary to the British way of thinking, and the British character. They will never live it down . . . Mountbatten, and Mountbatten alone, will have the blood of all these innocent people on his hands. He will have to pay for it some day. His actions will lead to a black page in the history of the British Empire.

Soon after the transfer of power Hamid left Delhi to join the Pakistan army but he kept in close touch with the Auk and records the exchange of letters in which Mountbatten in effect called for the Field Marshal's resignation. He offered a peerage by way of solace but the Auk was too proud to accept.

Diaries are seldom objective and the diarist only sees part of the picture. These diaries, however, abound in lively sketches of the chief actors in the transfer of power. There are also sombre reflections on the fall of a great Empire. No doubt an objective historian or an author of memoirs written in retirement would give a more complete and perhaps a fairer picture of the end of the Raj but the reader of these pages will find himself living through what the author aptly calls a Disastrous Twilight. I found them as fascinating, in their way, as Sir John Colville's recent wartime diaries, The Fringes of Power, Downing Street Diaries, 1939-55.

No one interested in the difficulties facing the present Prime Minister of India should neglect them.

Julian Amery

Terror labyrinth

TERRORISM: HOW THE WEST CAN WIN
Edited by Benjamin Netanyahu. Weidenfeld & Nicolson, £14.95, 254 pages

THE FINANCING OF TERROR
By James Adams. New English Library, £12.95, 293 pages

OUTRAGE: AN INVESTIGATION INTO THE ABUSE OF DIPLOMATIC IMMUNITY
By Chuck Ashman and Pamela Trescott. W. H. Allen, £11.95, 240 pages

THE MAXIM that beauty is in the eye of the beholder can easily be transferred to perceptions of modern terrorism: one man's terrorist is another's freedom fighter. Depending upon the point of view, terrorists can be either gangsters or heroes.

These differing perceptions lie at the heart of the confusion in any debate that tries to determine what is terrorism and who is a terrorist. With increasing public concern in the West over the spread of terrorism, especially state-sponsored terrorism, both the book edited by Benjamin Netanyahu and that by James Adams have the virtue of recognising this dilemma at the outset. However, they are both subsequently compromised by the definitions they provide, and whom they chose to include or exclude.

Mr Netanyahu, Israel's ambassador to the United Nations, editing a set of papers from a conference on terrorism, defines it as "the deliberate and systematic murder, maiming and menacing of the innocent to inspire fear for political ends." Mr Adams, defence correspondent of the Sunday Times, prefers to define the terrorist rather than terrorism:

> A terrorist is an individual or member of a group that wishes to achieve political ends using violent means, often at the cost of casualties to innocent civilians and with the support of only a minority of the people they claim to represent.

These definitions would brand as terrorist many of the political/military groups that spearheaded the anti-colonial movement and won independence up to the mid-1970s (the FLN in Algeria; Mau-Mau in Kenya) and threaten to exclude organisations like the PLO fighting for a Palestine or the ANC fighting for majority rule in South Africa.

They also cast in a grey area, subject to prejudice, those groups and organisations fighting for regional control separatism or minority rights within existing sovereign states like ETA in the Basque Country, the Tamil Tigers in Sri Lanka or the IRA in Ireland. Equally hard to place are President Reagan's "fredom fighters," the contra rebels trying to overthrow the Nicaraguan Government or Unita in Angola. All the above practice acts of terror but I believe they would have to resort *exclusively* to acts of terror in order to be classified as terrorist organisations. In this category there would be relatively few like the Red Brigades, Direct Action, the Red Army Faction and Abu Nidal's splinter group within the PLO.

Having defined terrorism and terrorists, both books assemble their villains on the dubious assumption that the latter automatically fit the label. Chief among these is the PLO and the rash of Islamic fundamentalist groups which are seen to be backed in the Middle East by Iran, Libya and Syria. In the case of Mr Netanyahu, the focus is almost exclusively Middle Eastern, which is not surprising given his own position and the fact that the other papers arose out of an Israeli institute conference. However, this makes for a very partial view, designed to vindicate Israeli action against what it perceives as terrorism. The view is all the more partial since most of the authors have their colours firmly nailed to the New Right, and regard terrorism as part of the Soviet Union's global programme of expansionism.

Explicit or implicit in their papers is a rejection of the concept of legitimate grievance on the part of the perpetrators of violence and an unchallenged belief in the moral rectitude of Western behaviour. (Radical governments in the Middle East like Iran do not feel bound by US arguments on that which is *just* when they look to American saturation bombing in Vietnam). Rather than understand the causes of violence, especially the Palestinian frustration over the failure to establish a homeland, the perpetrators of violence are lumped together as criminals. The emphasis is not on medicine but surgery. The battle can be won with police and military methods and basically by being tough.

Interestingly, they ignore the central point made by Mr Adams, namely that "terrorist" organisations like the PLO and the IRA have built up a strong financial base, and by attacking their financial strength much of their power could be eroded. The point is an important one and deserves to be highlighted, especially as Mr Adams explodes the myth of extensive Soviet support.

Thus it is a pity Mr Adams empties his journalistic notebook so sloppily onto the pages. He says the PLO since 1973 has never received less than $100m from Arab states (p 59), then he says in 1984 it received less than $100m (p 119) and later that in 1983 there was similar shortfall (p 125). He blandly states the PLO has investments of $5bn producing an income of $1.5bn. I can understand that the PLO is very wealthy, and that its accounts are dispersed and secretive with funds often untaxed. But surely on this performance every Wall Street fund manager should be seeking the PLO's advice, to say nothing of the officials running the beleaguered Israeli economy.

The measures for combating terrorism proposed by Mr Netanyahu and his authors have by now been well aired—better exchange of intelligence; controls on media coverage; tightening up on the abuses of diplomatic immunity (well documented but tritely stated by Chuck Ashman and Pamela Trescott in *Outrage*) and a greater willingness to use preemptive or retaliatory action against countries hosting terrorists.

It is the latter policy which is the most contentious, proposed here among others by the US Secretary of State Mr George Schultz. One casuistic paper argues that persistent acts of terrorism justify self-defence within Article 51 of the UN Charter—the Article used by the US to justify their raid on Libya. And in his conclusion Mr Netanyahu maintains "the right of self-defence takes precedence over the claim of territorial sovereignty," so justifying the Israeli raid on the PLO headquarters in Tunis and the 1982 Lebanon invasion. The fact that innocent civilian lives are lost in these actions is brushed aside by the loftier end. But such action can make for a thin divide between sovereign state retaliation which unfortunately causes innocent civilian casualties and state-sponsored terrorism.

These Rambo style policies have produced short term results and the likes of Mr Netanyahu deserve careful consideration because their views are the currency of President Reagan's White House. But the long-term consequences hold out the risk of dragging the West down to the terrorists' level, eroding internationally established norms of civilised behaviour and leaving a pyrrhic victory.

Robert Graham

Fiction

Grief time in Paris

LA DOULEUR
by Marguerite Duras, translated from the French by Barbara Bray
Collins, £8.95, 183 pages

L.C.
by Susan Daitch
Virago, £10.95, 284 pages

ONLY BY MISTAKE
by P. J. Kavanagh
John Calder, £9.95, 158 pages

THE END of the German Occupation of France, summed up by the title of La Douleur: not exhilaration but suffering. People waiting for the return of those who may never come back from the camps in Germany, deportees of all sorts, Jews, resisters, the unlucky or the unwary.

People waiting for a knock at the door, not from the Gestapo now but from the Resistance: an old fat man stripped naked and tortured, beaten almost to death, not by the Gestapo but by the Resistance. A frenzy of vengeance as battles, victory and homecomings hang fire; hunger, fear, retribution, humiliation, de Gaulle strutting about Paris and refusing the Resistance what it thinks is its due; total brutalisation of feeling, acceptance of viciousness and violence.

What is invented, what recorded by Marguerite Duras, is never quite certain. Each narrative she notes how and when it was written and all but two are said to be "real"; but this may be a literary device. François Mitterand is prominent as a Resistance leader, code-named Morland. "Marguerite" is named as the protagonist of the longest narrative, waiting for a returning husband who must be nursed from the very edge of life back to something like humanity. Thérèse, in other stories, she claims is also herself. Well, is she? Isn't she? The old man's torturer? One is sickened and reluctantly fascinated, drawn by the teller's skill into believing the horror of postwar Paris, its indignity, its stench of death and betrayal.

Marguerite Duras writes with the vividness of physical detail she showed in The Lover; only this time about hatred, despair, pain, hopelessness and grief. Because it is all (apparently) written on the spot, diary-like, with information (sometimes garbled) from newspapers and rumours, it becomes extraordinarily "present," this atmosphere of sour revenge, the sense of righteousness mixed with disgust. As documentary evidence it seems invaluable: this was Paris. In certain circles, at this particular time; sick, hungry, voracious, humbled, confused.

Rediscovered diaries (Marguerite Duras claims that the longest of her stories is one of them and perhaps it is), memoirs excitingly unearthed—from The Aspern Papers to The Name of the Rose these have been used to give extra point, tingle or piquancy to a text; or have become a substitute for the text itself. Susan Daitch's L.C. uses the supposedly found diary of a Frenchwoman in the 1840s partly for itself and its view of artistic Paris before the revolution of 1848, and inartistic Algiers after that; partly as a peg on which to hang a modern, parallel story of political events in America and revolutionary activities on the world campuses in 1968 and after.

Susan Daitch: début with diary

Lucienne Crozier, the L.C. of the diary, marries a rich Parisian to pay for her brother's education; meets the artistic élite of Paris, has an affair with Delacroix, and leaves for Algiers with the revolutionary Jean de la Tour. There, of consumption, she dies, sending her diary back to France to a friend whose great-grandson is rather oddly involved with an elderly American academic, who translates it, then leaves it, with her other papers, to a young American academic, who retranslates it in more contemporary terms, using her own language to bring its thoughts and patterns closer to her own.

Feminism, which scarcely had a look-in in L.C.'s day, can thus reinterpret past events and find patterns for them in the present. There is one interpretation of the diary and its language from the elderly recluse, another from her young colleague. Part spiritual quest, part detective story, part user and shaper of long-lost information and ideas, part historical and part contemporary novel, this might have been a hodgepodge but manages, through its penetrating intelligence, to make a pattern, establish an order.

L.C. is a first novel and a remarkable one; endlessly inventive. In a rich sense circular.

P.J. Kavanagh's Only By Mistake, which shares some of the themes of both these novels (political violence and revenge, underground activism), fails to knit its themes together as successfully. Partly a thriller, an escape story in the manner of (say) Rogue Male; partly a political and social tale about present-day Ireland, republicanism, legacies from the past, old loyalties and new; partly a story of "real" people we are meant to mind about, and about feelings, love and need. It is short and readable but disconnected, three or four novels trying to meet in one and not quite managing it.

Dougal Kerr, an actor married to a famous film star, is the product of a mixed political and national background; half-Scottish, and educated at a tough "bare-kneed" English school, half militant-Irish with a Maud Gonne-like mother who still flirts with revolution and the IRA. When he hears of a plot to blow up a German family, children and all, he goes to the police in Dublin, then has to bolt with the fanatical Finbar on his trail, and holes up in the island of Hoy, where an old school chum from his early Irish childhood, and his half-baked republican nephew Jamesy, follow to put an end to him.

Everyone's behaviour, like Jamesy's, turns out to be pretty half-baked and the escape novel at times turns into something like Ealing comedy. Nothing is quite right about it in atmosphere, yet the writing, in individual patches, is excellent: particularly descriptions of landscape and sea and the heathered wastes of the island.

Isabel Quigly

Courageous cleric

THE PRIEST WHO HAD TO DIE
by Roger Boyes and John Moody. Gollancz, £10.95, 204 pages

GO TO almost any service at the St Stanislaw Kostka church in the Warsaw suburb where Father Jerzy Popieluszko, the Polish priest murdered by the security police, was a curate, and you will be reminded of the crime committed in October 1984. Tough peasant ladies visiting the shrine sit amid the regular parishioners intoning prayers for Father Jerzy's beatification—for an official recognition of his martyrdom as a Catholic victim of the post-war Communist regime.

Roger Boyes, who has reported on Poland for The Times since 1981, and John Moody, a Time Magazine correspondent covering Eastern Europe at the time of the crime, have collaborated to retell the story of the priest's brave defiance of the authorities in the dismal days following the crushing of Solidarity, then his horrific death, and the unprecedented trial of his police killers — which despite the astonishing detail it revealed, in the final resort left more questions open than convincingly answered.

The tale is told at a rattling pace. It is maybe a bit shaky on the facts, but it combines the style of thrillers like Gorky Park with the inspired guesswork of Sovietology. Basing their accounts on personal interviews, the priest's private diary and the transcript of the trial, the authors take us deep into the hearts and minds of victim and hunters alike, in a way which at times admittedly tends to strain the reader's credulity.

But the book devoted to a saint *in statu nascendi* is thankfully no hagiography, though by recounting his earlier years it obscures the fact that it was Popieluszko's sermons on Solidarity themes after martial law which brought him into the public eye and to the top of police files. But even then he was not as famous as the authors assert. They compare, questionably, the impact of his murder on the country with the assassination of President Kennedy in the US. Father Popieluszko acquired national significance after his death once the Church's propaganda machine began to roll.

The authors draw no firm conclusions as to the real motives behind the crime. They set out three possibilities: one is hardliners at home, out to discredit General Wojciech Jaruzelski; the second is that of the Soviet Union scheming to hurt the Church; and the third is that the killing was ordered by the Polish authorities simply as part of their repressive policies. They avoid a fourth possibility that the priest was kidnapped to be given a thorough battering, and the plan went horribly out of control.

The cult which has grown up around the dead priest can be of little satisfaction to his principal murderer, Captain Grzegorz Piotrowski, now serving a 25 year term in Warsaw's Rakowiecka gaol. By all accounts his eyes have lost little of their fanatical air, demonstrating the lack of remorse he showed at his trial. His skin carries none of the pallor evidenced by other detainees at Rakowiecka, showing he is being treated well. There is little sign, too, that he realises his crime was an act of gross political stupidity.

Christopher Bobinski

Mexican mind

ONE EARTH, FOUR OR FIVE WORLDS: REFLECTIONS ON CONTEMPORARY HISTORY
by Octavio Paz translated by Helen R. Lane. Carcanet £12.95, 213 pages

OCTAVIO PAZ, the Mexican poet and critic, is a rare bird in Latin America—an independent intellectual who looks down on the world with an unjaundiced eye. His independence, however, is not the fence-sitting type. He describes himself as a socialist and a democrat, which he points out is not to be confused with a social democrat.

In his new wide-ranging book he warns us of the decadence and dangers of the US's "imperial democracy"; the explosive mixture of contradictions in the Soviet Union's "totalitarian empire" and the perils of failing to understand what he calls "the historical vengeance of particularisms" (the re-emergence of old civilisations in Iran and the Arab world). He is at his most illuminating on home ground when he tries to explain why it is that Latin America has had so many tyrannical regimes, despite nations choosing the democratic-republican system of government.

One reason, he suggests, is the lack of a critical current. Most intellectuals in Latin America are succoured by the state (left wing, right wing and most of all the Mexican hybrid) and they live in a moral fog.

William Chislett

House chronicle

THE HOUSE OF COMMONS, VOLUMES I-V 1790-1832
Edited by Roland Thorne.
Martin Secker & Warburg, £225.

THERE were 2,143 Members of the House of Commons between 1790 and 1820, excluding the Hon John Knox who was elected to the first Imperial Parliament for the Irish borough of Dungannon in 1802 but was lost at sea before it assembled. The average age of Members was in the low forties throughout the period. Over half of them sat for 10 years or more and 20 of them for over 50 years.

There were seven general elections. The number of seats contested, however, was small. Even in 1802 when the Commons went up to 658 Members after the act of union with Ireland, only 97 elections were actually fought. In the previous general election in 1796 the number was 66. Possibly as a consequence, a journalist noted at the time: "The present elections are going on in general with less riot and drunkenness than, perhaps, any for the last century."

The reason was that securing some arrangement in advance of the poll was the best way of preserving the peace of the country. Or, as the returning officer at Midhurst said in 1802 when threatened with the intervention of a radical: "A good dinner is a better thing than a poll."

It was still the age of leaders rather than of parties. At the start of the 19th century no administration was conceivable that excluded both Fox and Pitt ("Pompey and Caesar," as they were dubbed). Yet the goal of having them both in was never achieved and it was said that "John Bull" would never have tolerated it. A contemporary epigram went:

> I am out—and you are in
> O fatal hour! O flagrant sin!
> And I will rail, and make a rout,
> Till I am in, and you are out.

The Commons evolved over the period. The use of the Parliamentary Question became much more deadly, especially when employed by radicals. Speaker Charles Abbot made the increasing volume of business more efficient and introduced the beginnings of a Members' Library. But the great reforms came later. Indeed between 1793 and 1819 every motion calling for Parliamentary reform was heavily defeated.

The great joy of volumes like these, published with the History of Parliament Trust, is to dip into them and to make your own cross-references. There was, for example, Old Sarum, described as a "depopulated pocket borough" — in other words "rotten" — where the number of voters was fewer than 11. It belonged to the Camelford family. The second Baron Camelford, however, was "eccentric, if not demented." He wanted to do his utmost to annoy the Government, so he put up a radical called John Horne Tooke.

The Commons objected that Horne Took had previously taken holy orders, whereupon Camelford said that if the black coat was rejected, he would send a black man instead, referring to a Negro servant of his, born in England, and therefore qualified to take a seat. That so horrified the House that they passed an act excluding the clergy, but exempting Horne Tooke.

A cross-reference to Horne Tooke suggests that he was no more than an eccentric who had twice put himself up for the Westminster seat.

There are some excellent essays on the main figures of the period: Canning, Castlereagh, Fox and Pitt. Yet it is the lesser known figures who sometimes delight; for instance, John Irving, the Member for Bramber 1806-1832 and for County Antrim 1836-1845. He "arrived in London with a Bible aged 13 and ended up as a merchant prince . . . His name was subsequently mentioned in the same breath as Baring, Rothschild and Gurney; but he was the most conservative among them in his outlook."

There were five expulsions from the House. Two of them concerned the Cochrane family—Lord Cochrane and his uncle, Andrew James Cochrane Johnstone—for manipulating the Stock Exchange. They had put out rumours of Napoleon's defeat, though later Lord Cochrane recovered his reputation and was re-elected. The uncle fled the country. Some 35 Members either verged on insanity or were insane, which is perhaps not many for a period of 30 years.

The social composition has changed, as it has of the country as a whole, but one suspects that most of the 2,143 Members covered would just about recognise the House of Commons today.

Malcolm Rutherford

CRIME

AS THE career of P. D. James flourishes, her books seem to grow longer and longer. The latest instalment in the chronicle of poet-policeman Adam Dalgliesh is a thick, closely-printed volume weighing almost enough to be a deadly weapon itself. The author indulges without restraint her taste for description, and thus the reader is told about the hair-colour, clothing, expression of even the most minor character, and every room Dalgliesh enters is scrupulously inventoried.

Is all this detail necessary? The question is beside the point: either you accept Mrs James's leisurely pace or you don't. You cannot read *A Taste for Death* as if it were just another thriller; you must love those minor characters and those rooms as much as the author does, and care less for the usual elements of the thriller, the puzzle, the solution.

A TASTE FOR DEATH
by P. D. James. Faber & Faber, £9.95, 454 pages

Actually, the vast array of detail serves to establish a reality within which the unlikelihood of the crime and the unbelievability of the criminal can seem likely and believable. Beneath the surface, littered with cups of tea and cluttered with furniture, the coincidences are too numerous and so are the demands on the reader's credulity.

But none of this will matter to the countless fans of Dalgliesh, who proceeds as usual in his relentlessly ruminant fashion, surrounded by a large supporting cast.

P. D. James is a tidy, if wordy writer; but this latest book betrays signs of carelessness. An alert copy-editor should have cleaned up some of the mistakes, especially the several dangling participles (like the one towards the bottom of page 202).

William Weaver

CHESS

THOUGH K v K at the Park Lane Hotel remains centre stage, other chess events round the world have recently highlighted future challengers to the Russians. The Kleinwort Grieveson British Championship finishes this weekend at Southampton; at half-way the grandmasters Chandler, Mestel and Plaskett shared the lead, but the outstanding performance was by the youngest player in the tournament, 14-year-old Michael Adams of Truro.

Already the youngest-ever Cornwall and West of England senior champion, Adams was only half a point behind the GM trio with a draw against Plaskett and a win over an international master among his results. Nigel Short tied for first place in the championship at age 14, but there are no other comparable successes here at such a young age.

White: M Adams.
Black: K. Bowden.
French Defence (Kleinwort Grieveson British Championship 1986).

1 P-K4, P-K3; 2 P-Q4, P-Q4; 3 N-Q2, P-QB4; 4 KPxP, QxP; 5 KN-B3, PxP; 6 B-B4, Q-Q3; 7 0-0, N-KB3; 8 N-N3, N-B3; 9 QNxP, NxN; 10 NxN, P-QR3; 11 P-QB3, Q-B2; 12 B-N3, B-Q3; 13 P-KR3, 0-0?

This opening is popular for both sides in master chess; White players like the attacking chances, Blacks consider their game solid with no real weaknesses. Here a better line is 13...B-Q2 and if 14 B-N5, B-R7 ch; 15 K-R1, B-B5 when if 16 BxN, PxB Black may castle long while exchange of bishops also leaves him safe.

14 B-N5! P-N4; 15 B-B2, B-N2; 16 BxN.

In contrast to the previous note, the pawns barricading Black's king are broken up and White's attack develops rapidly.

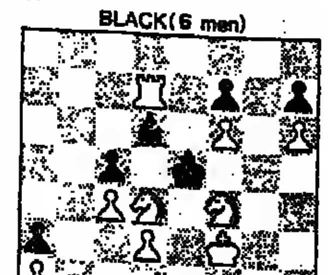
16...PxB; 17 Q-N4 ch, K-R1; 18 Q-R4, P-B4; 19 BxP!

Simple and decisive. If PxB; 20 Q-B6 ch, K-N1; 21 NxBP threatens mate by Q-N7 or N-R6. ...19...P-B3; 20 NxKP, Q-Q2; 21 QR-Q1 (not 21 NxR? QxB), R-B2; 22 N-N5, B-R7 ch; 23 K-R1! (not 23 KxB, Q-B2 ch), Resigns.

Problem No 632

White to move and mate in two.

BLACK (6 men)



WHITE (10 men)

Solution, Page XI

Leonard Barden

Off-colour horror at the movies

MY FIRST taste of the horrors of "colourisation" came with a scene in the film *Weird Science*. There were the movie's two teenage heroes watching James Whale's 1931 black-and-white classic *Frankenstein* on television. Only it was not in black-and-white, it was in colour. I blinked twice and looked again. But there it was: Boris Karloff wearing (I seem to remember) a pale puce complexion lumbering through a laboratory picked out (I seem to remember) in nasty greens and yellows.

Shortly after that, I learned about colourisation. This is the process now sweeping America whereby old black-and-white films are computer-tinted for the TV and video market. The practice has been prompted by network desperation at an increasingly common audience-research finding: that most televiewers presented with a black-and-white film will turn to the other channel, either immediately or as soon as the commercial break comes and reminds them of the glories of colour.

Every week in America new additions to the library of colourised oldies appear, and the days of *The Maltese Falcon* or *Psycho* or *Citizen Kane* in stylish monochrome may be numbered. Soon we may have Sam Spade picking up a sculpted bird coloured scarlet or purple; Janet Leigh murdered with a lemon-handled kitchen knife through a magenta shower curtain; or Orson Welles breathing "Rosebud" as a glass ball with its winter scene picked out in candy-floss pinks and blues crashes to the floor.

The chances are that colourisation will be done with more taste than this. But should it be done at all? Already an army of film directors in this country—from Alan Parker to David Lean, Richard Attenborough to Ridley Scott—have signed a protest document voicing their horror at the vandalistic potential of this process. Some are aghast at the possible impact on their own work of a process against which (to judge from recent American cases) there is often no legal redress. When veteran director Frank Capra, dismayed by the colourisation of his film *It's A Wonderful Life*, made a formal protest to the Library of Congress copyright office, he was told that a film now in the public domain had no rights to aesthetic protection by its director.

I saw some of this film in its colourised version on American TV, and painful it was to watch. Where once Capra's urban wonderland was in radiantly nuanced monochrome, now blobby-pink faces walked through settings that might have been coloured in by a none-too-gifted child with a crayoning set.

Back in the 1930s many distinguished critics and commentators inveighed against the coming of colour to cinema, thinking it was a last farewell to visual subtlety and artistry. Time proved them wrong. As colour technology improved, movies made in colour became as supple, refined and expressive as those in black-and-white. But colourisation is a different proposition altogether. These are not new works of art crafted by their makers to achieve a certain visual effect. They are pre-existing works "worked over" by people whose principal interest is to make a profit, at the behest of TV networks panicking at their ratings.

Colourisation is becoming big business in America. A costly process (up to $200,000 to convert one feature film), it promises to repay the companies many times over. Thus far, the system is transmissible only electronically, on TV or video, but the profit motive is unlikely to be deterred long from finding a way to make it work in cinemas.

Kobal Collection

Bogey and Bergman in Casablanca — threatened by synthetic pastels?

The protest squad of distinguished film-makers mentioned above proposes a list of "classics" which should be made colourisation-proof by law: films like *The Third Man, Brief Encounter, High Noon, On The Waterfront, Bicycle Thieves*. They would be the equivalent of scheduled buildings, wearing a hands-off sign to potential developers, or despoilers.

I would agree with this solution only as a second best. What are and are not classics is a matter that can change decade by decade. By protecting a few "masterpieces" and surrendering the rest to vandalism, we risk losing films that in 10 years' time we realise with horror we misjudged and we now find more interesting (if we can mentally peel away the computer colours) than the supposed classics.

I believe that the colourisers should be allowed to colour what they want. But some copies of all black-and-white movies should be preserved in their original state. The ideal answer would be an industry agreement whereby, if a film is sold in a colourised version in the video shops, it must also be available there in black-and-white; and for each time a film is shown colourised on TV, it must be shown once in its black-and-white version as well.

It may, of course, be Cloud-Cuckoo-Land to think of such matters being even discussed, let alone agreed on: especially in a world where the major movie-owners — the Hollywood studios—are all too eager to sell off their unprofitable black-and-white films ("classics" or not) to the Midas touch of colourisation.

But something should certainly be done. If someone bought up all the monochrome drawings of Leonardo, Rembrandt, Degas and others and started to colour them in, having found a market for polychrome Madonnas, Dayglo dancers and rainbow-hued crucifixions, the sense of outrage would spread across the world. It is no less of an outrage to suppose that one day we should only be able to see *Birth of a Nation* or *The Gold Rush* or *Casablanca* or *The Seventh Seal* decked out in the synthetic pastels created by an over-worked computer.

Nigel Andrews

Alastair Muir

Graham Turner and Clive Mantle in Johnny Johnson

After the revolution

GOOD intentions are not enough. Not even when backed up by moral blackmail.

A definite pattern has emerged during the first week of this year's unofficial festival put on by members of the Royal Shakespeare Company at the Almeida Theatre in Islington. *Not the RSC Again!* presents actors, writers, directors, dressers, whatever, doing the unaccustomed. But while last year's first fine careless rapture was an exuberantly creative outburst of individual RSC members doing their own respective things, this year's committee-organised event has already imposed a corporate identity. As in all revolutions, a new orthodoxy has been established.

The festival's title is perhaps more apt than intended. Carole Rosen's intriguing musical documentary, *Lord Byron's Hebrew Melodies*, is familiar elsewhere: five Asian actresses were brought in especially for the sweatshop play, *Stitch*; and the festival kicked off with a 45-minute monologue co-produced with the touring company Paines Plough and directed by Pip Broughton, though performed by an RSC actress, Tina Marian.

Written by Les Smith (whose study of a black soldier pressurised by racism was recently seen at the Young Vic), *Body Count* describes the American massacre of a Vietnamese village in 1968 and prompts the faintly guilty reaction of "so what?" — not at the atrocities listed but at the theatrical adaptation, which adds nothing to the bald catalogue of murder, rape and destruction, and indeed trivialises the event.

Miss Marian's restrained young housewife is calm, controlled and collected. Knowing she had left her family in the village, the audience had to wait a good 15 minutes into her description of the carnage before she got to the fate of her children. This is less emotion recollected in tranquility than calculated artifice. For a fleeting moment it seems that the writer intends a subtle compassion towards the Americans ("They fear everything. They hate everything."); but the piece remains monochrome and one-dimensional. The image of smiling children saying "Hello Joe" as they are shot emerges more vividly from factual reporting than from the lower middle-class suburban twang of Miss Marian's sturdily head-scarved housewife.

Stitch by RSC actor Arnold Yarrow (who directs) shows us a Soho sweatshop where a mainly immigrant workforce is exploited by a Cypriot entrepreneur of impeccably Thatcherite tendencies. Even more than in *Body Count* there is a failure to breathe theatrical life into chilling statistics. Penny Ryder's self-appointed white supervisor, a rueful blend of the insecure and the superior, Norma Dixit's touching reticence as an illegal immigrant, and Graham Turner's cheerful narrator stand out, despite Mr Turner's curious pidgin speech patterns (in broad north-country). Tom Mannion's slow-witted old racist confirms this young actor's immense promise, here all lumbering vulnerability like another Michael Gambon; but he must beware of upstaging the entire cast with a mere grimace or an absent-minded hum. A shock ending and a grim recital of fatalities fail to redeem the lifeless dialogue—especially the cliché dialectic reeled off by a Greek activist (Siao Frederici whose sometimes unintelligible accent recalls Melina Mercouri, though without being as funny.

Social criticism is implicit rather than spelt out in Rainer Werner Fassbinder's *Blood on the Neck of the Cat*. Phoebe Zeitgeist, an extra-terrestrial visitor (Pauline Moran, attractive and intelligent) wonderingly takes in the phrases she hears all round here and comes out with them, like an uncomprehending robot, at a party with comic results: "We can't always get what we want . . . It's only human nature . . . Piss off, you smelly animal . . . Life isn't a bowl of cherries . . . I don't want to get involved . . . ." A dash here of the inverted morality of Brecht's *Seven Deadly Sins*, but Fassbinder's depiction (Anthony Vivis translated) of our mean-spirited egotism lacks irony.

Alan Rickman's directed reading almost goes for farce with the disconcerted party-guests. Positioned round the auditorium, the cast moves into the central jumble of chairs to form a cat's cradle of relationships, demanding, abusing, pleading, complaining. Lindsay Duncan's sensual sophisticate drawls out each line as if a pearl of wit, Sean Baker's vocational gigolo, Fiona Shaw's long-legged model, caressing herself in a barely thigh-length shift, Janet Dale's widow, carping or pathetically grateful, Emma D'Inverno's Scots-accented young girl apparently echoing the whore's existential credo from Godard's *Vivre sa vie* ("Je lève la main: je suis responsable . . . je tourne la tête: je suis responsable"), Clive Mantle's masochistic butcher (shades of *Tales from the Vienna Woods?*). Even with scripts clutched in hand, this is more exciting than *Body Count* or *Stitch*.

The week saw the British premiere of Kurt Weill's *Johnny Johnson* — Weill's and Green's, that is. The forgotten Paul Green whose Pulitzer-winning *In Abraham's Bosom* provided Broadway's first harsh, cliché-free look at Negro life, was a respected man of letters. He despised the commercial theatre, but ironically this 1936 collaboration with Weill signalled the composer's decision to adopt the language of Broadway.

Lee Strasberg directed the *succès d'estime* (68 performances) for the leftish-inclined group theatre. The cast included such later victims of the McCartby-ite terror as John Garfield, Elia Kazan and Lee J. Cobb. The show's devotees included Lorenz Hart and Robert Benchley. A 1971 revival, overshadowed by the premiere of Sondheim's *Follies* a week before, failed to survive the first night.

Modelled on *Schweik*, the World War story evoked a popular, accessible style not too far from *Happy End*—including a phrase that threatens to burst into Bernstein's "Tonight." The recruiting sergeant's blowzy sour-sweet tango number, and the smokey-eyed "Mon ami, my love" are essentially European and echt-Weill.

The show has been condensed to 55 minutes by dint of pruning the dialogue. Given the embarrassing mawkishness of Johnny's encounter with a young German soldier, this may be an advantage. Unhappily, Paul Marcus's production whisks us through such high points as the Allied general falling victims to laughing gas and the assumption by inmates of an asylum of the roles of world leaders. No pointing, no contrasts; and the characters like Johnny himself (the engaging Graham Turner again) remain cyphers.

Bravely singing without mikes, even in the intimate Almeida the company is swamped by the 12-man band (original orchestration) under John Owen Edwards. The "Psychiatry" number fell flat through unintelligibility, along with the rest of the satire. One laments an opportunity lost. A glibly pious programme note underlines the topicality of discouraging US military involvement abroad, apparently forgetting the desperate need for such involvement a few years after Johnson's première—not soon enough, it transpired, to save a few million victims of organised genocide. The confusion of topicality with modishness is one of the theatre's least lovable characteristics.

Martin Hoyle

THE FESTIVAL found room for a piece of contemporary dramatic music, the *Missa super L'homme armé* from Peter Maxwell Davies' Expressionist period. Many a Renaissance "parody" mass was based on the secular "L'homme armé" tune; Davies's *Missa* is a parody in the modern sense, taking off from a 15th-century "Agnus Dei" into wild marginal notes and rude sea-changes, while a travesty-priest narrates the Last Supper and Betrayal (in Latin) with sinister emphases.

Fiona Shaw declaimed her Latin with macabre relish, and the conductor Timothy Higgs got an expertly sharp performance from his little band. With fewer Expressionist leaves than in the original Fires of London reading (and a live harmonium instead of a pre-recorded one), the wit — and the curious suppressed bitterness — of the score were kept intact. It has lasted well: its clever mischief goes beyond mere shock-value.

David Murray

Called to the stalls bar for lunch

SINCE Andrew Lloyd Webber acquired the Palace he has tried, slowly but surely, to turn the venue into more of an all-day facility. The National and the RSC at the Barbican entertain visitors in restaurants and art galleries. The commercial sector has been slow to respond to the idea of potential ticket-buyers sticking around for lunch and a peek at a painting.

The Palace has opened a gallery area running along a corridor off the stalls bar. Opening there yesterday was an exhibition of theatrical cartoons and costume designs, all donated by the artists for the very good cause of Bristol Express Theatre Company, a valiant touring operation that receives no regular public subsidy and is struggling with an accumulated deficit of £16,000.

At the top end of the price scale — all exhibits are priced between about £40 and £150 — there are some fine Tim Goodchild costume paintings for *Pump Boys and Dinettes* and *Little Shop of Horrors*. Voytek, Joe Vanek and John Elvery (of the Bristol Old Vic) are other designers represented. The cartoonists include Marc Boxer, Larry and, one of the most talented newer arrivals, Kipper Williams; some of these works strike me as real bargains.

Lunchtime theatre in London used to be the place to catch new work. That fringe fashion has faded, but West End theatres are beginning to offer lunch in their bars, and in the cause of duty and arduous research, I popped in this week to the Albery in St Martin's Lane (home of the AIDS hit *The Normal Heart*, and the Palace at Cambridge Circus (home of the barricades hit *Les Miserables*).

Theatrical cartoon by Larry, at the Palace exhibition

The Albery was quiet, vaguely disorganised with a limited offer of quiche and salad, perfectly edible and reasonably priced. At the Palace, you sit in a grand Second Empire stalls bar at tables covered in white linen as a pianist plays in the corner. The prices are the same. The Albery's quiche and salad for two was £5.50. The Palace's bill for two was £5.00. The difference was that, at the Palace, I ate smoked salmon and adventurous, exotic salad portions, my guest (a notoriously fastidious epicure) chicken roasted in herbs, also with salad — and garlic bread.

The Albery offers a good service in pleasant surrounding at first-floor level, windows giving on to the street. The Palace is altogether more louche. The Albery imports its food, the Palace cooks and prepares it on the premises. The Albery serves large glasses of plonk for 95p. At the same price, the Palace offers a smaller glass of proper wine.

Lunch in a theatre bar is less formal than in a restaurant, less frantic than in a trendy wine bar or tawdry pub. The Palace has a Happy Hour between 12 noon and 1 pm, bottles of wine on sale for £2.50 while you consider the stuffed snails or rollmops in pepper and sour cream as a starter. And on matinée days (as on Thursday) there is that special buzz of a show about to begin, company members dropping in for a fruit juice, respectable pairs of old ladies fingering their pearls and frowning at their ticket stubs.

In the Albery, there were drama students and tourists escaping the noise below and a disarming girl behind the bar who said she had never done this sort of thing before and did not know how the till worked. In the Palace, the catering manager talked of past fashion shows and planned menus of German, Italian and French food. The pianist played show tunes and jazzed Bach. The Albery is showing willing, but the Palace sets the pace.

Michael Coveney

Radio

Secrets victims get in on the Act

SECTION 2 of the Official Secrets Act, the section that for 75 years has forbidden the unofficial communication of any official information, was the subject of *A Mess of Secrets*, a Radio 4 programme on Wednesday. It was hard to find anyone to say anything for it. Clive Ponting, Jonathan Aitken, Sarah Tisdall, who have suffered in their different ways from its tentacles, were brought on to speak of their cases. Des Wilson, who has almost a neurosis about freedom of everything, charged the Government's secretiveness ("the most secretive government this side of the Iron Curtain," said Ponting) to "the arrogance of power." Clement Freud, who actually introduced a Private Member's Bill, which failed to make the grade, was not represented. Chapman Pincher put the journalist's point of view.

It was agreed (as it has been for years) that some new Act is required, and that the best hope would be in a Private Member's Bill. Only Lord Rawlinson mentioned the factor that seems to me an important one, the betrayal of trust. To sign the Act and to break the undertaking seems to be a breach of honour. How does honour compare with "the national interest"? Not very well, it seems.

The programme, presented by James Naughtie of The Guardian, is the kind of important feature that Radio 4 is rather short of. There is *File on 4*, of course, but its subject is seldom given in the Radio Times, only in trailers. I may be wrong, but I doubt if trailing a programme secures it much extra interest.

South-east Europe Journey on Radio 4, a four-part feature by Julian Hale, will touch on matters of interest but not, to most of us, of equal importance. The first programme concerned the fortunes of the Greek Orthodox Church in Greece (flourishing), Turkey (afflicted) and Yugoslavia, where it runs as well as may be in a Communist state. The series is not a deep investigation; it is a tourist's-eye. Next week we are on Turkish newspapers.

On a different intellectual level, Radio 2 is giving us four programmes about the composer Eric Coates, presented by his son Austin Coates. The astonishing thing about Eric Coates's music is its durability. Tuneful, yes, but so is lots of other popular music. It sounds as if his success was partly due to his personality. A student of Lionel Tertis, he led the violas in the Queen's Hall Orchestra under Henry Wood, and wrote endless ballads to lyrics by Fred E. Weatherly. Then we find him conducting the band in his own music. Such music as we heard hardly compares with what other contemporary composers (Vaughan Williams, Delius, Rutland Boughton) were doing, but he had a never-failing talent for success. At the end of the first programme on Tuesday we heard the overture *The Merrymakers*. "Here was the real Eric Coates," said his son. With respect, the real Eric Coates was less ambitious and more popular than that.

We shall hear him soon on Radio 3 if things go on as they currently do. The week's jazz totalled two hours and a half—*Jazz Record Requests* and *The Jazz Pianists* on Saturday, *Jazz Revisited* on Monday, *The Essential Jazz* on Wednesday. How about Eric Coates as The Week's Composer? After all, we've had Duke Ellington.

Poor week for drama. Radio 3 (where so many Giles Cooper Awards come from) is busy with the Proms, throwing the main emphasis on Saturday Night and Monday Plays. Last Saturday's *Missing Persons*, by David Hopkins, was a fantasy about England in a few years' time, when a brutal Fascist police force has cracked down on crime to everyone's satisfaction but former expatriate Michael Brennan (Shaun Prendergast). He finishes shot by his girl-friend. Monday's was *Nettle Beer* by William Grant, about an unemployed engineer who does labouring work on "the lump" without telling the DHSS and is shopped by his Civil Servant daughter. I found neither of them capable of conquering by disbelief.

This has been Welsh Arts Week. Like Scottish and Irish, it was a fringe ceremony and, like the Irish, the Welsh provided a literary genius, Gwyn Thomas. There seems to be no specific English Arts Week.

B. A. Young

Solution to Chess No. 632

1 KB4! If KxN(Q5); 2 Q-QR1, or if KxN(B5); 2 Q-N3, or if PxN or B moves; 2 Q-N5, or if KxP; 2 Q-N7.

Records

Larynx of ladies

IN THE last few months there has been a virulent outbreak of girls all over the pop record charts. This is again nature. Traditionally girls bought records, tagging on to the male singer of the moment who best suited their individual wish fulfilment. But now there is Madonna hogging the top spot, with an image that manages to be both raunchy yet vulnerable, and music which takes black sounds and sanitises them for a white market.

She has a larynx of ladies at her heels—Amazulu, Bananarama, The Real Roxanne (who raps rather than sings but we can stretch points). And while we are stretching points we could include Samantha Fox, who is proving a two hit wonder, and even Claire and Friends, if you count ten year olds. Getting carried away by the theme, any day now Sandie Shaw is set to return to the charts after a generation with *Frederick*, a gutsy cover version of a Patti Smith song suggesting that Ms Shaw has been eating meat.

What to make of it all? Perhaps the buyers of records got fed up with the political slant which became fashionable last year and sunk many male bands; perhaps with A-Ha on a world tour and the other toy boy groups looking a bit shop-worn there is a gap in the market; perhaps girls, more confident these days, just like buying songs about their own experiences. Certainly there is a lightness of touch about many of the offerings, underpinned by a delicate, if undynamic, musicality.

It is best exampled by Suzanne Vega, an American dancer who breathes a folksy, even decadent, eerieness into her songs. But however oddball the voice, with its traces of Nico and the Underground, the music stays tuneful and the constant plugging in the movie *Pretty in Pink* has not harmed its chences—these days the cinema rather than the video seems to be the surest route to a pop fortune. *Left of centre*, in particular, conjures up an adventure, a night in the safe shadows.

But if Suzanne Vega is appealing she is manifestly light weight. For a deeper plunge into the faintly feminine *avante garde* go for Mathilde Santing, who is Dutch (you won't notice) and writes and records mesmeric songs about her life. It helps to like the synthesiser but Ms Santing is comfortably this side of the suicidal. It is a bit precious and clever but many of the songs on her *Water under the bridge* album concoct images of continental bars, earnest students and the little big things in the lives of the young.

Mathilde Santing is unlikely to make the charts, unlike the Bangles, imminent entrants with *Going down to Liverpool*. This American band of four pretty girls is in the good old tradition—blatant rock songs, performed in a blatantly sexist manner. They come on as strong as any little boy band, and have the same disruptive impact on an audience, at least on the male part. It is not great music but it makes for a nice, exploitable, show: and it is good to hear harmonies again.

The Bangles are the girlish equivalent of the Byrds: Bonnie Tyler is more into the Lionel Ritchie market, that great mass, much loved and sought after by record companies, the cross overs, who will buy outside their own particular favourites if they are caught by a melody or by a performance. Bonnie Tyler is now firmly in the American mature tradition, supplying heavily, overly produced sounds to play in Cadillacs. This is music for the generation that grew up on rock and now thinks that it needs something more sophisticated to go with its mortgage and middle management position.

It would be hard to better *Secret Dreams and Forbidden Fire*, the latest Ms Tyler album. It hits you with the force of a Californian breaker with its full throttle songs about past affairs, potent memories, escapist fantasies geocrally, all packaged to perfection. It is expensive, gaudy, unsubtle but in a way gloriously committed, and not too trite. Listen to "Lovin' you's a dirty job," in which Todd Rundgren plays the lead male, and you have the modern American dream in six or so minutes.

But the girls aren't having it all their own way. The charts are also infested with "hip bop" records. These are not meant to be listened to but are all the rage in the dance club. But some singers, like the Real Roxanne and Lovebug Starski have sold lots of records. I'm sure the charts will soon recover and carry on in their sweet eclectic way, infuriating those who take pop music seriously, but accurately reflecting the poor, popular, perfect taste of the nation.

Antony Thorncroft

WEEKEND FT

•SPORT•

World Chess Championship

Thud and blunder at the ballroom

IT TOOK a little while, but the first world chess championship match to be held in London has finally burst into life. If the first week at the Park Lane Hotel was characterised more by off-the-board incidents, week two of the Kasparov/Karpov showdown was full of thud and blunder. After five games of a 24-game match, the score is 2½-2½, following three initial draws, and two wins this week.

Having missed a simple win with the white pieces in game two, Kasparov made no mistake when he next had the first move, in the fourth game. In an almost equal position the 23-year-old champion came up with an inspired 17th move which transformed the nature of the struggle.

Rather than retreat an attacked bishop to its "best" diagonal, Kasparov shunted it into what appeared a blind alley. But this had the effect of putting a banana skin under Karpov's pieces, which slithered back in confusion. Thereafter the champion's technique was relentless, and Karpov resigned overnight by telephone.

The most ominous thing for the challenger was that Kasparov won by using the Karpov style of gradual strategic squeeze against its own acknowledged master.

But this "new," less tactical Kasparov style came as no surprise to his chief chess advisor and analyst, the Soviet Grandmaster Josef Dorfman. "I believe that Gari Kasparov may now even be better than Karpov in strategy. But I can't explain what it is really like to play against Kasparov. You have to play against him to understand."

Game five was a massacre. After no more than an hour's play it was apparent, at least to the players themselves, that Karpov had a completely winning position. It was also the first time in the match that the ex-world champion appeared to be playing for a win from the very first move.

The weird aspect of the game was that Kasparov played quickly and confidently to reach a lost position. The culprits must have been the famous Kasparov analytical team, who had prepared a dud variation.

Many of the watching grandmasters thought that Kasparov had plenty of chances in the position, but it took a knowledge of the players' mannerisms rather than chess to see that Karpov was winning. He frequently looked out at the audience, as always when he feels that everything is under control. But Kasparov was massaging his ears, which he does when agitated.

After this setback to his man, Dorfman told me that the match was now "at its critical stage." However, Kasparov — by all accounts — was less disturbed by this disaster than he usually is after a defeat, for on the general run of play, the champion still has the edge.

Each player is allowed on three occasions to delay the next game by two days. After his reverse, Kasparov decided yesterday to take his first breather. No doubt his team will use the pause to see if there are any other gaping holes in their pre-match preparation.

At the Park Lane Hotel the spectators run close to 1,000 a day. But if there was a British player playing Kasparov on the stage in the art deco ballroom, the queues would stretch down Piccadilly. The best chance for that to happen is Nigel Short, the former child prodigy, now a six-foot 21-year-old. Two years ago Short was ranked 100th in the world. Now he is ranked 9th, and all those above are older than him.

Short clearly thinks that he could have done better than Kasparov in the fifth game, which he describes as "truly diabolical, quite appalling." But he concedes that in a match against the champion now "I would get slaughtered."

On the other hand Short argues that he can get a lot stronger. "I would have a chance against Kasparov in about five years. Why the hell not?"

But Dorfman finds the idea of Short, or any westerner as world champion, rather absurd. "Short is a very strong player, but that is not enough. He would need five full-time assistants. Where would he get them? In the west the professional chess players are too busy playing in lucrative international tournaments to have time to prepare seriously for the world chess championship."

Dorfman argues that to become world chess champion takes years of effort. "To be world champion, it is not enough to want it. You must think about it all the time, even when you are asleep."

Nigel Short is not yet prepared to make the kind of sacrifices that such a monastic existence entails, and concedes that without full-time professional back up, his hopes of becoming champion are nil.

Short points out that when former world chess champion Boris Spassky was a Soviet citizen the state provided him with full-time trainers. But Spassky cannot afford to pay top western grandmasters to work full time for him, now that he has left the Soviet Union. "Spassky is a great player, but he would never have become world champion under our system. We do not live in a Communist society and so we do not cater for the élite," says Short, with a fine sense of political paradox.

Bobby Fischer, the American recluse, is the only example of a post-war player to buck the Soviet "team" system of dominance of the world chess championship. But this required not just supreme genius, but a dedication to chess to the exclusion of all normal human relationships, which ultimately proved destructive. As Short points out, it would be a shame if only an Englishman with an abnormal personality could hope to become world chess champion.

Dominic Lawson

Champion Kasparov: still has an edge

Cricket

Dons suffer divine defeat

THE MORNING of the match was hot and muggy. Over the years we have had every kind of weather for our match and this looked like being one of the more unreliable kinds. So much the better. We need all the help we can get, and divine intervention is always welcome, whatever the state of play. That is because the state of play is always disastrous.

We have been playing this match once a year for the last 10 years and have always been pulverised, except for two occasions when God stepped in with outspoken weather. About six years ago we scored a moral victory because it poured with rain all the time we were batting, and when our fast bowler opened our attack by hospitalising their opener with a shooter off the soaking pitch, to the accompaniment of thunder and lightning, they refused to go on.

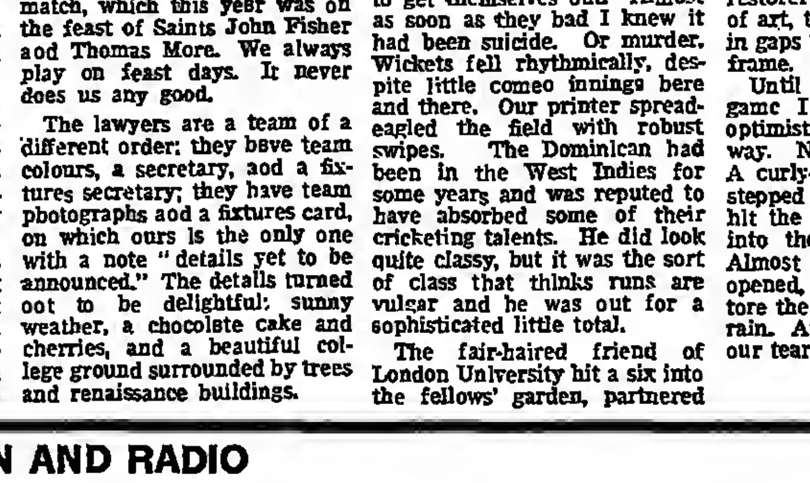
Last year our victory was actual as well as moral. It is the only time we have ever won and the only explanation I can find is that for once we had a good player and the sun shone on his furious deliveries so warmly that the opposition's batting reached No 7 and found itself too hot and bothered to continue.

I knew they would bring a crack team this year, and I was glad to see the sultry sun and brooding clouds. We are a motley crew, called The Intellectuals. The match is either at Oxford or Cambridge and there is always at least one don in the team, which may be why we are called The Intellectuals; I'm not sure, though the name was my idea. Certainly our team mascot and No 11 batsman is an intellectual: a bespectacled medieval history don from Austria and Oxford. This year we managed to rake up one Oxford, one Cambridge, and one London don, plus one don's friend.

The intellectual element is balanced by a religious element — we always have at least one clergyman and this year it was a Dominican friar, our traditional pair of ex-Jesuits being absent.

Indeed, the whole religious tone of the team was different this year, with a fundamentalist Protestant off-spinner and a mildly fundamentalist Protestant fast bowler. The Dominican kept up the Catholic tradition quietly, ambling round the boundary and bowling two overs of unusual leg-breaks.

The most heroic upholder of tradition was Charles, who left his hand printing press in Monmouthshire, in response to a distress call, crossed the country and arrived in Cambridge in time to play, having stopped in London en route to pick up another of the game's traditions who works at the BBC and was threatening to come by bike. We're not good at cricket but we are full of foolish courage.



I and a girl who was a virgin to cricket represented the female sex.

Cricket, as everyone who plays it knows, is a bloodthirsty business, and nothing is more bloodthirsty than the occasional friendly game such as we play against The Common Lawyers. As we only play once a year we incubate our grievances and humiliations all through the winter until they surface, horribly virulent, for the next match, which this year was on the feast of Saints John Fisher and Thomas More. We always play on feast days. It never does us any good.

The lawyers are a team of a different order; they have team colours, a secretary, and a fixtures secretary; they have team photographs and a fixtures card, on which ours is the only one with a note "details yet to be announced." The details turned out to be delightful: sunny weather, a chocolate cake and cherries, and a beautiful college ground surrounded by trees and renaissance buildings.

We lost the toss and were put in to bat. Our two young reformation stalwarts put on a display of fundamentalist batting which gladdened the most Roman of our hearts. I was umpiring and had a lovely time trying out embellishments to the signals for four, though technically it was a waste of time because there weren't any scorers.

A scoreboard did, however, suddenly appear and start notching up numbers in handsome style. I was so unaccustomed to my team scoring anything that after I had got used to the light-headed sensation it induced, I floated round thinking it was time somebody wrote some good cricket poetry and that it had better be me. One of the batsmen woke me up by reminding me that it was a limited overs match and that the rest of the team might want a go at batting.

Drunk on runs, I made my big mistake. I told them both to get themselves out. Almost as soon as they had I knew it had been suicide. Or murder. Wickets fell rhythmically, despite little cameo innings here and there. Our printer spreadeagled the field with robust swipes. The Dominican had been in the West Indies for some years and was reputed to have absorbed some of their cricketing talents. He did look quite classy, but it was the sort of class that thinks runs are vulgar and he was out for a sophisticated little total.

The fair-haired friend of London University hit a six into the fellows' garden, partnered at the other end by the Cambridge medievalist who had hay fever and sneezed and scored prolifically for a while. I went out to bat at No. 10, saw my small son trying out his new walking skills with a foray into the undergrowth that leads down to the river and got myself out first ball so I could retrieve him. That's my story and I'm sticking to it.

I was glad to be spared the ordeal of batting with our non-bowling, non-fielding No 11 because the other thing he doesn't do is get out; he's always not out at the end, except last year when I ran him out, and the shame was appalling. This year he retained his list of things he doesn't do on the cricket field intact; he was one not out and we both felt better.

There were a few sticky clouds about after tea, and wickets and boundaries galore. We got rather tired of their opening batsman, who couldn't be prised out, and I gave everyone a bowl so that no one would have to look at his face for too long. We had two wicket-keepers, but the fundamentalist one was bowling off-breaks and left to go to church at 5.30, by which time we were so tired of pursuing the ball that the lawyers would have scored even quicker if they had run out their shots instead of hitting them to the boundary. They could easily have got seven or eight while we limped and stumbled to prevent the inevitable defeat.

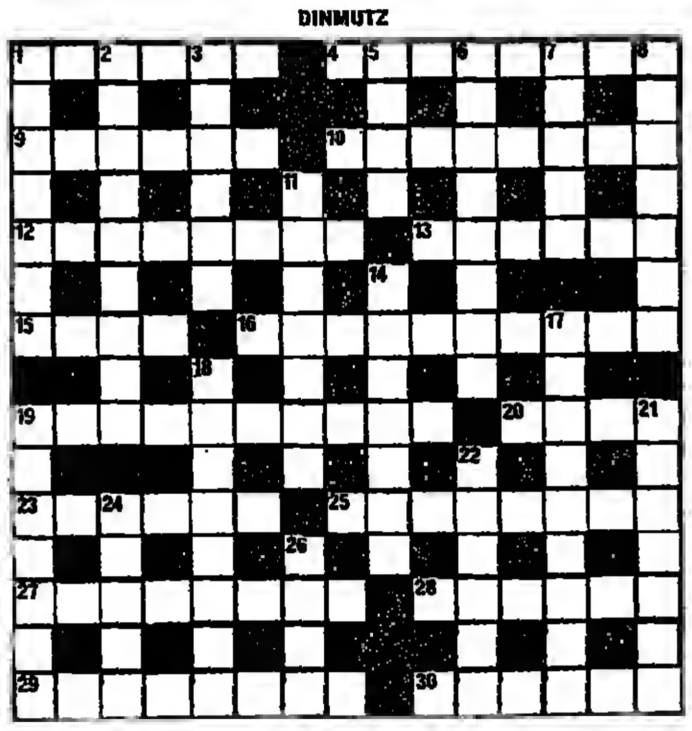
It wasn't inevitable. It could have gone either way, and the odds were in our favour. With one over to go they needed 11 runs to win. With one ball to go they needed four. I arranged my field like a picture restorer looking after a work of art, touching up here, filling in gaps there, strengthening the frame.

Until the last ball of that game I had always been an optimist, in a last-ditch sort of way. Now I'm a broken reed. A curly-headed young batsman stepped down the wicket and hit the last ball for six, smack into the wall of the library. Almost at once the heavens opened, thunder and lightning tore the sky, and it poured with rain. At least they couldn't see our tears.

Teresa McClean

F.T. CROSSWORD PUZZLE No. 6,095

DINMUTZ



Prizes of £10 each for the first five correct solutions opened. Solutions, to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

ACROSS

1 Rotten, we hear, the Naughty Nineties? (8)
4 Split personality? (8)
9 Smoking-jacket (6)
10 Forerunner overturning one's cart (8)
12 Home and dry on the river, yet vulnerable (8)
13 Riddle of the cinema (6)
15 Rule up in fell (4)
16 Cattle at Settle not moving at all (5-5)
19 Norfolk, for example, might depend on it (4-6)
20 Check the stock (4)
23 Sailor despatched faraway (6)
25 Wine-carrying vessel (8)
27 Chopped mint leaf in bulbs (8)
28 Pink lapel openings in spotted exterior that can be vented (6)
29 Meditative small animal swallows talking-bird (8)
30 Portia was one of those women in early, perhaps (6)

DOWN

1 Muslim starting to dither and shiver uncontrollably? (7)
2 Dry places ruined this old timer (9)
3 How vets dose duck? (6)
5 It lies close to the radius (4)
6 Frank actors, mine (4-4)
7 Turner seen in ball at Hermitage (5)
8 Drug left at home of two gentlemen (7)
11 Irritating grill (7)
14 Shrill cry heard as rock debris meets church (7)
17 Earnestly describing decimals, see? (9)
18 Eg. Fu Manchu, a wrong 'un (8)
19 Bargain, this non-U driver (7)
21 Old hand Silas takes one in (7)
22 Bear up there in France—it is fair game (4-2)
24 Which place, say for unruly males? (5)
26 In short, incognito before long (4)

Solution to Puzzle No. 6,094

[illegible]

Solution and winners of Puzzle No. 6,089

[illegible]

Mr L. King, Beckenham, Kent; Mrs B. A. Stevens, St Austell, Cornwall; Mr A. Ryan, Bournemouth, Dorset; Mrs J. Whelan, Godalming, Surrey; Mr G. Snowden-Davies, Cardiff.

TELEVISION AND RADIO

SATURDAY

† Indicates programme in black and white

BBC 1

8.30 am The Clangers. 8.40 The Family Ness. 8.45 The Saturday Picture Show. 10.55 Grandstand featuring 1.05 pm News; Cricket: Second Test—England v New Zealand; Cycling (British National Track Championships); Racing from Haydock. 5.05 News. 5.15 Regional programmes. 5.20 The Dukes of Hazzard. 6.05 Sorry!

6.55 World Rock 'n' Roll Trophy. 7.05 Film: "The Bridge at Remagen," starring George Segal, Ben Gazzara, Robert Vaughn and Bradford Dillman. 9.00 Bob Monkhouse Meets. . . . 9.40 News and Sport. 9.55 Barry Norman's Guide to American Soaps. 10.45-12.50 am Golf: The United States PGA Championship from Toledo, Ohio.

BBC 2

1.55 pm Dig. †2.20 Film: "The Circus," starring Charlie Chaplin. † 3.30 Film: "The Gold Rush," starring Charlie Chaplin. 4.50 Cricket: Second Test—England v New Zealand from Trent Bridge. 6.15 World Chess Report. 6.50 Newsview. 7.30 Zubin Mehta Masterclass. 8.20 The Man Who Walks On Fire. †8.00 Film: "Red River," starring John Wayne and Montgomery Clift. 11.10 Cricket: Second Test (highlights of the day's play). 11.40 1.16 am Film: "To The Devil a Daughter," starring Richard Widmark, Christopher Lee and Nastassja Kinski.

LONDON

6.65 am TV-am Breakfast Programme. 9.25 Get Fresh! 11.30 Wake Up London. 12.00 News. 12.05 pm Wrestling. †1.00 "Blondie On A Budget," starring Penny Singleton, Arthur Lake and Rita Hayworth. 2.30 That's My Boy. 3.00 "Christopher Columbus" (Part 3, starring Gabriel Byrne). 4.45 Walt Disney Presents. . . . 5.00 News. 5.05 The Grumbleweeds Show. 5.35 John Silver's Return to Treasure Island. 6.30 And There's More Cricket. 7.00 We Love TV. 7.30 Summertime Special. 8.30 All Star Secrets. 9.00 News and Sport. 9.15 The Clint Eastwood Movie: "Honkytonk Man." 11.30 LWT News Headlines followed by Mog. 12.00 20 Years On. 12.45 am New From London. 1.50 The Longest Row. 2.40 Night Thoughts.

CHANNEL 4

1.15 pm Channel 4 Racing from Newmarket. †2.45 James Cagney in "Yankee Doodle Dandy," with Walter Huston. 6.05 Brookside Omnibus. 6.00 Right to Reply. 6.30 The Stamp of Greatness. 7.00 News Summary followed by The Sons of Abraham. 7.30 Berlin Wall—Henni Sends Her Love. 8.30 Newhart.

9.00 The Organisation. 10.00 Hill Street Blues. †10.55 James Cagney in "White Heat". †1.00 am "L'Ecole Des Facteurs." 1.15 Begone Dull Care.

S4C WALES

1.15 pm Racing from Newmarket. †2.45 Feature Film: "A Night to Remember." 4.30 And the Beat Goes On. 5.30 Birds of Britain. 6.00 Hwyl yr Wyl. 6.50 Newyddion. 7.00 Eisteddfod Genedlaethol Frenhinol Cymru. †10.30 Feature Film: "Come Fill The Cup," starring James Cagney, Gig Young and Raymond Massey.

IBA Regions as London except at the following times:

ANGLIA

11.30 am The Telebugs. †1.00 pm Film: "Hell Drivers," starring Stanley Baker, Herbert Lom and Patrick McGoohan. 12.55 am At the End of the Day.

BORDER

11.30 am Captain Scarlet and the Mysterons. 12.00 Freeze Frame.

CENTRAL

11.30 am Telebugs. 1.00 pm Saturday Afternoon Cinema: "Hell Drivers," starring Stanley Baker. 5.05 John Silver's Return to Treasure Island. 6.00 The Grumbleweeds Show. 12.00 Movie of the Week: "The Human Factor," starring George Kennedy, John Mills and Rita Tushingham. 1.40 am Central Jobfinder.

CHANNEL

11.30 am Terrahawks. 11.59 Today's Weather. 2.30 pm When the Flag Drops. 2.50 Cartoon Time. 12.45 am Steve Hackett.

GRAMPIAN

11.30 am The Telebugs. 1.00 pm Christopher Columbus. 2.45 SPGA Championship. 12.00 SPGA Highlights, followed by cricket results. 12.30 am Reflections.

GRANADA

11.30 am Terrahawks. 1.00 pm Saturday Matinee Double Bill: "Mysterious Island," starring Michael Craig and Joan Greenwood. 3.05 "Funeral in Berlin," starring Michael Caine. 6.05 John Silver's Return to Treasure Island. 12.00 Wishbone Ash in Concert. 12.55 am Tales From The Darkside.

HTV

11.30 am Terrahawks. 11.58 HTV News. 1.00 pm "First Men in the Moon," starring Edward Judd, Lionel Jeffries and Martha Hyer. 3.00 Christopher Columbus. 12.00 The New Squadronaires.

TSW

11.30 am Gus Honeybun's Magic Birthdays. 11.33 The Getalong Gang. 11.57 TSW News. 1.00 pm Feature Film: "Hell Drivers," starring Stanley Baker, Peggy Cummins, Herbert Lom and Patrick McGoohan. 3.00 Christopher Columbus. 5.05 TSW News. 5.07 The Grumbleweeds Show. 12.00 Rock of the Seventies (Atomic Rooster). 12.35 am Postscript.

TVS

11.30 am Terrahawks. 11.57 TVS Weather. 2.25 pm When the Flag Drops. 12.45 am After Midnight: Steve Hackett, former guitarist with Genesis, in concert. 1.30 Company.

TYNE TEES

11.30 am Terrahawks. 1.00 pm "The Games" starring Michael Crawford. 2.50 Cartoon Time. 11.30 Twenty Years On. 12.15 am MOG. 12.45 Poetry of the People.

ULSTER

11.30 am Terrahawks. 11.58 Lunchtime News. 5.03 pm Ulster News. 9.12 Ulster News. 11.55 Sports Results. 12.00 At Home. 12.30 am News At Bedtime.

YORKSHIRE

11.30 am Captain Scarlet and the Mysterons. 1.00 pm "Gold" starring Roger Moore and Susannah York. 5.05 John Silver's Return to Treasure Island. 6.00 The Grumbleweeds Show. 12.00 Music Box—Videopix. 1.00 am The Music Box Eurochart. 2.00 The Shadow. 3.00 The Music Box Special. 4.00 The Sunday Cinema. 5.00-6.00 The Sunday Smooch.

BBC RADIO 2

Stereo on VHF

8.05 am David Jacobs. 10.00 Sounds of the 60s. 11.00 Album Time. 1.00 pm Nodwinks starring Roy Hudd. 1.30 Sport on 2, including Cricket (England v New Zealand); Racing from Newmarket; Football; Golf; Motor Sport. 6.00 David Hamilton Presents Two's Best. 7.00 Three in a Row. 7.30 The World of Operetta. 8.30 String Sound. 10.05 Martin Kelner. 12.05 am Night Owls with Dave Gelly. 1.00 Steve Madden presents Nightride. 3.00-4.00 A Little Night Music.

BBC RADIO 3

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BBC RADIO 4

[illegible]

SUNDAY

[illegible]